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IN THE

# Supreme Court of the United States

OCTOBER TERM 1979

No. 79-669

DAWSON CHEMICAL COMPANY,
CRYSTAL MANUFACTURING CORPORATION,
CRYSTAL CHEMICAL COMPANY,
AND HELENA CHEMICAL COMPANY

*Petitioners,*

v.

ROHM AND HAAS COMPANY,

*Respondent.*

## PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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DAWSON CHEMICAL COMPANY, INC., CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, INC. and HELENA CHEMICAL COMPANY, hereby petition that a writ of certiorari be issued to review the Judgment and Opinion of the United States Court of Appeals for the Fifth Circuit, entered July 30, 1979.

## OPINIONS BELOW

The Opinion of the United States Court of Appeals for the Fifth Circuit is reported at 599 F2d. 685, and is printed

in the Appendix at page A.1.[1] The Opinion of the United States District Court for the Southern District of Texas, Houston Division, is reported at 191 USPQ 691, and printed in the Appendix at page A. 87, and a Supplemental Opinion, unreported, is printed in the Appendix at page A. 129.

## JURISDICTION

The Judgment of the Court of Appeals for the Fifth Circuit was entered on July 30, 1979. This petition for writ of certiorari is being filed within ninety (90) days of that date. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

## QUESTION PRESENTED

Does § 271(d) of the Patent Laws permit the owner of a method patent to monopolize and reserve to himself the sale of an unpatented non-staple product which is used in the practice of the patented method?

## CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Constitution of the United States, Article I, Section VIII, Clause 8:

> The Congress shall have power . . .
>
> To promote the progress of science and useful arts, by securing for a limited time to authors and inventors the exclusive right to their respective writings and discoveries. . . .

*35 U.S.C. § 271*

> (a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any

[1] "A" followed by a number indicates a page in the appendix.



> patented invention, within the United States during the term of the patent therefor, infringes the patent.
>
> (b) Whoever actively induces infringement of a patent shall be liable as an infringer.
>
> (c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributor infringer.
>
> (d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

## STATEMENT OF THE CASE

This is a suit for patent infringement brought by Respondent Rohm and Haas against Petitioners, the Court having jurisdiction under 35 U.S.C. § 1338(a), which suit was dismissed on Motion for Summary judgment, based solely on facts admitted or stipulated by the parties, (R. 43)[2] the District Court holding that Rohm and Haas had misused its patent. The United States Court of Appeals

[2] "R" followed by a number indicates a page of the Record on Appeal filed in the Court of Appeals.

for the Fifth Circuit reversed and remanded for a trial on the merits, holding that the activities of Rohm and Haas did not amount to patent misuse, being permitted by the provisions of 35 U.S.C. § 271(d).

The patent in suit, United States Patent No. 3,816,092 (hereinafter the Wilson Patent) describes and claims a method of selectively controlling weeds in crops such as rice by applying to the weeds and crops the chemical compound 3,4 dichloropropionanalide (hereinafter "propanil"). Propanil itself is not patented, the patent on it, No. 3,382,280, belonging to Monsanto Company, having been held invalid, in litigation with Rohm and Haas, *inter alia* because propanil was described in or taught by the prior art (*Monsanto Company* v. *Rohm and Haas Company*, 312 F. Supp. 778 (E.D. Penn. 1970) affirmed 456 F.2d 592 (3 Cir.) cert. denied 407 U.S. 934 (1972)).[3]

Rohm and Haas does not itself practice the patented process, but makes propanil and sells it in containers bearing instructions for farmers and others to perform the process. By operation of law, purchasers of propanil thus receive implied licenses to use the patented method. No separate payment is received by Rohm and Haas for the license; it derives its profit solely from the sale of propanil. Rohm and Haas has refused to grant any other licenses under its patent, so that the only way it has been possible for users to obtain a license to perform the patented process has been to buy propanil from Rohm and Haas. The license is thus tied to the purchase of the unpatented material.

[3] Petitioners Dawson Chemical Company and Crystal Chemical Company were also sued by Monsanto for infringement of the propanil patent. The Fifth Circuit Court of Appeals, in *Monsanto Company* v. *Dawson Chemical Company, et al.*, 443 F.2d 1035 (1971), cert. denied 405 U.S. 934 (1972), reversed the District Court's holding of validity of the patent.



Petitioners sold propanil for application to rice crops before Rohm and Haas received its patent. When the Wilson Patent was issued, Rohm and Haas brought this suit, charging Petitioners with inducing infringement in violation of 35 U.S.C. § 271(b) and with contributory infringement in violation of 35 U.S.C. § 271(c). Petitioners asked Rohm and Haas for permission to grant licenses under the patent to purchasers from Petitioners, but Rohm and Haas refused, stating that licenses would be granted only with purchases of propanil from Rohm and Haas. Recognizing this attempt to monopolize propanil as a misuse of the Wilson patent which rendered it unenforceable, Petitioners have continued to sell propanil in containers which bear recommendations and instructions for application to rice crops.

It is undisputed that if propanil is a staple material, having a substantial non-infringing use, requiring patent licensees to purchase the unpatented material from Rohm and Haas is a misuse of the Wilson Patent. However, Rohm and Haas asserts that it has the right to do this because propanil is a non-staple, having no substantial non-infringing use, and forms a material part of the patented invention. Such right is alleged to have been established by the enactment, in 1952, of 35 U.S.C. § 271(d).

Rohm and Haas says it is only doing that which is permitted by § 271(d):

(1) deriving revenue from acts which if performed without its consent would constitute contributory infringement, (i.e., selling propanil),

(2) licensing others (its distributors) to sell propanil, and

(3) enforcing its patent rights against those who sell propanil,

and therefore it is not guilty of misuse.

Petitioners point out, however, that Rohm and Haas is not "otherwise entitled to relief", as required by § 271(d), because, in addition to the three activities authorized by § 271(d), it is doing something else not authorized — compelling those who wish to practice the patented invention to purchase propanil from Rohm and Haas, thereby tying a license under the patent to the purchase of the unpatented material.

Rohm and Haas contends, and the Court of Appeals agreed, that the legislative history of § 271(d) supports their position that it was the intent of Congress to allow such a tying arrangement in the case of non-staple materials.

Petitioners submit that the legislative history does not support this view, and that this Court has on numerous occasions ruled to the contrary. Moreover, such a view fails to deal with the objectives of both the patent and the antitrust laws.

## REASONS RELIED ON FOR THE ALLOWANCE OF THE WRIT

1. The Court of Appeals' construction of § 271(d) of the Patent Laws as allowing the owner of a method patent to require, as a condition for a license under the patent, the purchase from the owner of a non-staple material used in the practice of the method, is in conflict with this Court's repeated condemnation of tying arrangements.

2. The specific question of whether Congress, by enactment of § 271(d) of the Patent Laws, extended the scope of patents to cover unpatented non-staple materials has not been, but should be, decided by this Court.

3. The holding of the Fifth Circuit Court of Appeals is in conflict with the holding of the Second Circuit Court



of Appeals in *Ansul Company* v. *Uniroyal, Inc.*, 448 F.2d 872 (1971).

The essence of the holding by the Court of Appeals is that 35 USC § 271(d) permits the owner of a method patent to monopolize the sale of an unpatented non-staple product with the same effect and to the same extent as if the patent were on the product rather than on the method or process involving its use.

Petitioners submit that this Court and other federal courts have on numerous occasions ruled that the use of a patent to effect a monopoly in either staple or non-staple unpatented products is unlawful. Petitioner further submits that § 271(d) of the Patent Act is not now (more than 25 years after its enactment) to be construed as having made an heretofore judicially unrecognized change in the law spelled out so explicitly by this Court in the *Mercoid* cases[4] in 1944. The decision by the Court of Appeals would fundamentally extend the scope of exclusive rights that are conferred by the patent grant and is in conflict with the opinions of this Court after the enactment of § 271(d), as they relate to the misuse of patents.

## HISTORY OF THE MISUSE LAW

The law of patent misuse came about as a limitation on the doctrine of contributory infringement, which had its origin perhaps 100 years ago as court-made law, giving patent owners a right to bring suit against those who contributed to an infringement by furnishing to infringers unpatented goods used in the invention. The contributory infringement doctrine reached its broadest scope in *Henry* v. *A. B. Dick Co.*, 224 U.S. 1 (1912), when the Court enun-

[4] *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944) and *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680 (1944).

ciated principles enabling a patentee to tie the right to use a patented machine to the purchase of unpatented supplies. Five years later, however, in *Motion Picture Patents Co.* v. *Universal Film Manufacturing Co.*, 243 U.S. 502 (1917), the Court reversed itself, and denied relief to a patentee who required the purchaser of a patented motion picture machine to use in the machine only the patentee's unpatented film, holding that this was an attempt to create a monopoly outside of the patent (243 U.S. at 518).

Then in *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27 (1930), the Court applied the patent misuse doctrine to bar a suit for contributory infringement by a patentee who had expressly required, as a condition for a license under the patent, that licensees purchase a product from the patentee which was a necessary but unpatented component of the invention, holding that the patent owner had no right to be free from competition in the sale of the unpatented component.

The rule of *Carbice* was found equally applicable in *Leitch Manufacturing Co.* v. *Barber Co.*, 302 U.S. 458 (1937), to attempts by patentees to achieve the same result without an express restriction, by giving an implied license to those who purchased the components from the patentees and suing all others as well as their suppliers.

In holding that the patent monopoly could not be extended to unpatented goods, neither these nor other decisions by the Supreme Court before the *Mercoid* cases made any distinction as to whether the unpatented goods were a staple, i.e., had uses other than in the invention, or were a non-staple, having no substantial use except in an infringement of the patent. It was not until the *Mercoid* cases that the Court specifically addressed this question.



The patent in the *Mercoid* cases covered a heating system, one element of which was a switch which had no use except in the patented system, and which was itself unpatented. The patent owner, Mid-Continent, granted an exclusive license to Minneapolis-Honeywell to make, use and sell, and to sublicense others to make, use and sell, the system covered by the patent. Minneapolis-Honeywell did not sell the system, but sold only the stoker switches, and granted licenses to make and use systems covered by the patent only with the switches purchased from Minneapolis-Honeywell. Royalty payments were based upon sales of switches.

Mercoid was charged with contributory infringement because it manufactured and sold switches specially adapted for use in the patented heating system. The Court denied relief, holding that it was misuse to require those who wished to make the patented system to buy the switch from the patentee's exclusive licensee. The Court noted that the switch was a non-staple and that, but for the misuse, Mercoid could have been enjoined as a contributory infringer. Then, in dictum, the Court commented that the result of its decision was to limit substantially the doctrine of contributory infringement and to raise the question as to whether any residuum may have been left (320 U.S. at 669).

The consternation created by this dictum resulted in efforts to enact a statutory law of contributory infringement. However, it was recognized that such a law would be ineffective in the absence of provisions expressly exempting certain activities from the antitrust laws and the law of patent misuse; thus, § 271(d) was enacted.[5]

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[5] Hearings before Subcommittee No. 3 of the Committee on the Judiciary, House of Representatives, 82nd Cong. 1st Sess. 173 (1951), a copy of pp. 150-176 being attached hereto at A.142-176.

## CONFLICT WITH SUPREME COURT DECISIONS

The Court of Appeals observed that "the legislative history is not crystal clear", that petitioners' reading of it is plausible (A. 77-78), and that this Court's opinions in the *Aro* cases[6] "probably cut against" its view (A. 84), but nevertheless concluded that the intent of Congress in enacting § 271(d) was to "provide for a patentee's right to exclude others and reserve to itself, if it chooses, the right to sell nonstaples used substantially only in its invention" (A. 80).

This Court, in the *Aro* cases, while not explicitly construing § 271(d), made it very clear that it still considers that the use of a patent to monopolize unpatented non-staple components is illegal.

In *Aro II*, twelve years after the enactment of § 271(d), this Court was presented with the argument that the patent owner could tie the right to use a patented convertible top to the purchase of the unpatented non-staple and specially adapted fabric replacement parts from a licensee under the patent. The Court held that such provisions "stand condemned by a long line of this Court's decisions delimiting the scope of the patent grant" (377 U.S. at 497).

In *Aro I*, on the authority of *Mercoid*, the Court rejected the argument that patent protection should be extended to the "essential" or "distinguishing" part of the patented combination, stating:

> "We cannot agree. For if anything is settled in the patent law, it is that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant.

[6] *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336 (1961) (Aro I), and *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (Aro II).



> See the *Mercoid* Cases, *supra* (320 U.S. at 667; 320 U.S. at 684). The basic fallacy in respondent's position is that it requires the ascribing to one element of the patented combination the status of patented invention in itself. Yet this Court has made it clear in the two *Mercoid* Cases that there is no legally recognizable or protected 'essential' element, 'gist' or 'heart' of the invention in a combination patent." (365 U.S. at 344-345).

In his concurring opinion in *Aro I*, Justice Black, in reference to § 271, stated (365 U.S. at 347-350):

> "The language and history of that Act show plainly: (1) that Congress wanted to continue in force, *but not expand, the judge-made doctrine of contributory infringement* under which a person who knowingly aids, encourages or abets the direct infringement of a patent is to be held liable as a contributory infringer; (2) that Congress did not want patentees to be barred from prosecuting their claims for direct infringement merely because they exercised their right to assert a claim in or out of court for contributory infringement;[4] (3) *that the long-existing scope of a patentee's monopoly rights was not to be expanded beyond what it had always been, that is, the exclusive right to make, use or sell a patented invention during the life of the patent*" (emphasis added).

and in referring specifically to § 271(d), Justice Black stated (fn. 4):

> "This provision was designed specifically to prevent the *Mercoid* case from being interpreted to mean that any effort to enforce a patent against a contributory infringer in itself constitutes a forfeiture of patent rights."

Although the specific question, of whether § 271(d) overruled the *Mercoid* case on the use of a patent to tie un

patented goods, was not actually presented to the Court for decision in the *Aro* cases, it is plain that the Court would have struck down any scheme for monopolizing an unpatented non-staple product by conditioning licenses to use the patented method involving such product upon the purchase of the unpatented product from the patent owner. To have sanctioned the exercise of such exclusive rights in an unpatented product would have been to expand the long-existing scope of the exclusive rights conferred by the patent, but that, as stated by Justice Black, was precisely what had not been provided for by § 271. Although the opinion of the Court by Justice Whittaker contains no reference to § 271(d), it was in full accord that the exclusive rights conferred by a patent do not extend to exclusive rights in an unpatented element, however essential it may be to the patented combination, and however difficult it may be for a patentee to profit from his invention.

This doctrine is also made clear in four other cases decided since 1952. This Court, in *United States* v. *Loew's Inc.*, 371 U.S. 38, 9 L. Ed. 2d 11, 83 S. Ct. 97 (1962) cited *Mercoid* and like cases in support of its reiteration of the doctrine that a patentee who utilizes tying arrangements will be denied relief against infringements of its patent:

> "These cases reflect a hostility to use of the statutorily granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles." 371 U.S. at 46, 9 L. Ed. 2d at 18-19.

More recently in *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 23 L. Ed. 2d 120, 89 S. Ct. 1562 (1969) the Court stated:

> "Among other restrictions on him, he [the patentee] may not condition the right to use his patent on the licensee's agreement to purchase, use, or sell, or not to purchase, use, or sell, another article of commerce not within the scope of his patent monopoly." 395 U.S. at 136, 23 L. Ed. 2d at 155.



In *Deep South Packing Co.* v. *Laitram Corp.*, 406 U.S. 518 (1971), the Court held that a defendant who exported unpatented parts of a patented combination was not guilty of infringement. Citing *Mercoid,* the Court premised its reversal on the "unassailable" rule that "a patent on a combination is a patent on the assembled or functioning whole, not on the separate parts". (406 U.S. at 528.)

In *Blonder-Tongue Labs, Inc.* v. *University of Ill. Foundation,* 402 U.S. 313 (1970), the Court, while "recognizing the patent system's desirable stimulus to invention," cited *Mercoid* as one of a "series of decisions in which the Court has condemned attempts to broaden the physical or temporal scope of the patent monopoly". (402 U.S. at 343.)

The direct conflict between the holding of the Court of Appeals and the repeated declarations of this Court as to the scope of protection to be afforded a patent demands the attention of this Court.

## CONFLICT BETWEEN COURTS OF APPEAL

No court of appeals decision since the enactment of § 271 has specifically discussed whether § 271(d) allows the owner of a method patent to monopolize non-staples used in the practice of the method. However, the courts have repeatedly condemned as patent misuse situations where a patent license could be obtained only by purchasing the unpatented materials from the patent owner. See *National Foam System, Inc.* v. *Urquhart,* 202 F.2d 659, 663-664 (3 Cir. 1953); *Ansul Company* v. *Uniroyal, Inc.,* 306 F. Supp. 541 (S.D.N.Y. 1969), aff'd on misuse issue 448 F.2d 872

(2 Cir. 1971); *Preformed Line Products Co.* v. *Fanner Mfg. Co.*, 328 F.2d 265 (6 Cir. 1964); and *McCullough Tool Company* v. *Well Surveys, Inc.*, 343 F.2d 381 (10 Cir. 1965).

Presumably the patent owners in these cases did not take the position which Rohm and Haas has taken in this case, for the court decisions make no mention of the effect of § 271(d), nor of whether the unpatented goods are staples or non-staples. The rule which Petitioners here seek was applied uniformly, even when the unpatented goods clearly were non-staples, as in *McCullough* and *Ansul*.

*Ansul* is particularly pertinent, since the patent claim was to a method for applying a chemical to plants to control their growth, and the patent owner Uniroyal was found guilty of misuse in using the method patent to reserve to itself the sales of the unpatented chemical. The chemical had no commercial use other than in the patented method. *Ansul Company* v. *Uniroyal, Inc.*, 301 F.Supp. 273, 277 (S.D.N.Y. 1969). The Court of Appeals stated:

> "Since Uniroyal could no longer lawfully use its method (use) patent monopoly to secure a monopoly over sales of the unpatented product, it came under an obligation (if it wished to avoid the charge of patent misuse) to license its patented use of the unpatented product for those who wished to buy the product from other manufacturers." (448 F.2d at 882, fn. 4).

There is therefore a clear conflict between the Second Circuit's *Ansul* decision and the decision of the Fifth Circuit in the present case.

## LEGISLATIVE HISTORY

The Court of Appeals in the present case thought the weight of the legislative history of § 271 favors Rohm and Haas' reading of the statute. It is apparent that neither this Court nor the courts of appeal cited above reached this conclusion. Petitioners submit that a careful reading



of the transcript of the Hearings leads one to the inevitable conclusion that it was the intent of Congress to insure that patentees could sue contributory infringers, could license others to sell unpatented non-staple components of the invention, and could themselves sell the unpatented non-staple components, and that these acts would not be construed to be misuse. However, Mr. Rich, upon whose testimony the Court of Appeals principally relied, expressly stated that

> "If he has gone beyond those and done other acts which could be misuse, then the misuse doctrine would be applicable." (p. 175 of Hearings, A. 192).

In the present case Rohm and Haas has gone beyond the express permission of § 271(d) in tying the grant of a license to the purchase of propanil. Nothing in the Hearings indicates that it was the intent of Congress to legitimize any kind of tying arrangement.

As this Court emphasized in *Deep South, supra,* 406 U.S. 530-531, patent rights should not be expanded by the courts "unless the argument for expansion is based on more than mere inference from ambiguous statutory language", and such arguments must be considered "in light of this Nation's historical antipathy to monopoly and of repeated congressional efforts to preserve and foster competition."

## IMPORTANCE OF THE QUESTION

The question presented here is one of utmost importance to the patent laws of the United States, for the decision of the Court of Appeals, if allowed to stand, expands the protection of the patent laws beyond the coverage of the patent claims, a scope never contemplated by the Congress, and never sanctioned by this Court since the decision in *Henry* v. *A. B. Dick Co.*, supra, which was overruled five

years later in *Motion Pictures Patents Co.* v. *Universal Films Manufacturing Co.*, supra. Since *Dick*, this Court has never approved any arrangement which extended the patent monopoly beyond the scope of the invention claimed; to the contrary, the Court has consistently held that a patent cannot be used to control unpatented components or materials. Nevertheless, the Court has never explicitly ruled as to the effect of § 271(d). In the present case, the Court of Appeals has construed it as broadening the scope of patent protection. The Court should review this important question.

The question has importance far beyond the rights of the parties to this litigation, or even of the rights of farmers and others who practice the method covered by the Wilson Patent. This is demonstrated by the fact that two large associations of chemical manufacturers, the Manufacturing Chemists Association (201 chemical companies) and the National Agricultural Chemicals Association (120 companies), filed amicus briefs in the Court of Appeals.

As indicated in those amicus briefs, the decision of this Court on the issue presented will have a widespread effect on patents on the use of chemicals. One source relied upon states that of the approximately 33,600 major new chemical developments each year, 8,400 represent new applications for existing chemicals.[7]

The question is equally as relevant to patents on other processes, as well as those covering machines. In fact, for the large majority of patents, the question can be asked whether the patent owner is entitled to monopolize elements of the patented invention, or only the invention as a whole.

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[7] Foster D. Snell, Inc. *Survey of the Chemical Industry* 6 (June 26, 1975).



The importance of the question presented is further demonstrated by the attention that it has drawn from commentators throughout the years since the enactment of 35 U.S.C. § 271(c) and (d).[8] It is notable that these commentators almost unanimously support Petitioner's position that a patentee may not condition the grant of a license on the purchase from him of unpatented non-staple components. As previously noted, the Court of Appeals itself recognized the plausibility of Petitioners' position, and the indications of this Court's contrary view in the *Aro* cases, thereby virtually inviting review by this Court.

Finally, this Court has itself recognized the importance of clarifying the law on the scope of monopoly to which patent owners are entitled by deciding at least ten cases in which this was the central issue. This case presents an opportunity to, for the first time, decide one of the thorniest problems emerging from the 1952 patent statute. If the Court declines to face the question now, the public will necessarily be left in confusion, created by the present case, as to the rights patent owners have against those who sell elements or materials for use in patented combinations or processes.

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[8] Note, *Regulation of Business-Patents-Effect of Section 271 on the Doctrine of Contributory Infringement*, 55 Mich. L. Rev. 909 (1953); Note, *Combination Patents: The Right to Prohibit the Sales of Replacement Parts*, 70 Yale L.J. 649 (1961); J. Scafetta, *Ten Years After Aro II: The Effect of Patent Act §271 on the Patent Misuse Doctrine*, 26 S. Ca. L. Rev. 539 (1975), reprinted in 58 J. Pat. Off. Soc'y 69 (1976); J. Scafetta, *The Constitutionality/Unconstitutionality of the Patent Infringement Statute*, 59 J. Pat. Off. Soc'y 665 (1977); Giles S. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 35 J. Pat. Off. Soc'y 476 (1953); *Note, Section 271(b) of the Patent Act of 1952: Confusion Codified*, 66 Yale L. J. 132 (1956); Note, *Contributory Infringement and Misuse—The Effect of Section 271 of the Patent Act of 1952*, 66 Harv. L. Rev. 909 (1953); and M.D. Nelson, *Mercoid-Type Misuse is Alive*, 56 J. Pat. Off. Soc'y 69 (1976).

This issue is presented here following a reversal of the granting of a motion for summary judgment by the district court, and a remand for a trial on the merits. However, because of the importance of the issue and because of the obvious need for a definitive construction of language in the Patent Laws, this issue should be decided now. *Abbott Labs* v. *Portland Retail Druggists,* 425 U.S. 1, 5-6 (1976).

Moreover, this case is already over five years old. It may well take another five years, at a cost to these small companies of hundreds of thousands of dollars, to go through a trial on the merits and another appeal. A decision on this controlling question at this time will avoid that delay and cost.

More importantly, farmers groups, the chemical industry, the patent bar and many other segments of the public have anxiously followed the progress of this case over the past five years, awaiting a final determination of the question presented in order to guide them in their future business dealings. Another five years delay will merely extend the uncertainty, and, since the facts here are stipulated, a trial record would be of no value in deciding the Question presented.



## CONCLUSION

For the foregoing reasons, a writ of certiorari should issue to review the judgment and opinion of the Fifth Circuit.

Respectfully submitted,

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# APPENDIX

# APPENDIX

[6535]

ROHM AND HAAS COMPANY,
*Plaintiff-Appellant*
*Cross-Appellee,*

v.

DAWSON CHEMICAL COMPANY,
CRYSTAL MANUFACTURING CORPORATION,
CRYSTAL CHEMICAL COMPANY, AND
HELENA CHEMICAL COMPANY,
*Defendants-Appellees*
*Cross-Appellants.*

No. 76-4511.

UNITED STATES COURT OF APPEALS,
FIFTH CIRCUIT.

July 30, 1979.

Suit was brought for infringement of patent describing a method of applying the unpatented chemical compound "propanil," a nonstaple having no substantial noninfringing use, to established crops such as rice so as to inhibit the growth of weeds selectively. The United States District Court for the Southern District of Texas, at Houston, Carl O. Bue, Jr., J., granted summary judgment dismissing plaintiff's claim, and plaintiff appealed. The Court of Appeals, Gee, Circuit Judge, held that subsection (d) of patent infringement statute, providing that "No patent owner otherwise entitled to relief for infringement or contributory infringement * * * shall be denied relief or deemed guilty of misuse * * * by reason of his having done one or more of the following * * *," reversed the *Mercoid* misuse doctrine when the unpatented component sold is a nonstaple, with no substantial market apart from its use in the patented process.

Reversed and remanded.

**1. Patents — 181**

Right to exclude is created by patent grant.

**2. Patents — 182**

An inventor cannot sue anyone for using his invention before the patent is issued.

**3. Monopolies — 21.2(3)**

In suit for infringement of patent describing a method of applying the unpatented chemical compound "propanil," a nonstaple having no substantial noninfringing use, to established crops so as to inhibit the growth of weeds selectively, subsection (d) of patent infringement statute, providing that "No patent owner otherwise entitled to relief for infringement or contributory infringement * * shall be denied relief or deemed guilty of misuse * * * by reason of his having done one or more of the following * *," reversed the *Mercoid* misuse doctrine when the unpatented component sold is a nonstaple, with no substantial market apart from its use in the patented process. 35 U.S.C.A. § 271(d).

**4. Patents — 191**

There is no general policy requiring a patentee to grant explicit licenses in addition to those that arise by operation of law.

**5. Patents — 191**

A patentee may sell unpatented components while refusing to license others to do the same conduct, sell the unpatented component, without thereby being deemed guilty of misuse. 35 U.S. C.A. §§ 271, 271(d).



[6536]

**6. Patents — 259(1)**

Doctrine of contributory infringement was a judicial invention designed to give effective protection to patentees, perhaps occasioned by a narrow judicial definition of direct infringement whereby one does not infringe unless he, for example, assembles or practices every element claimed in a patent. 35 U.S.C.A. § 271.

**7. Patents — 259(1)**

Contributory infringement doctrine focuses on conduct of patent infringers, rather than on that of the patentee. 35 U.S.C.A. § 271.

**8. Monopolies — 21.2(3)**
**Patents — 259(1)**

Although the doctrines of contributory infringement and patent misuse are technically the same, one focusing solely on the patentee's conduct and other focusing solely on that of the alleged infringer, they rest on antithetical underpinnings; they clearly conflict concerning the permissible means by which a patentee may extract from the buying public the full monetary measure of his invention's competitive superiority.

**9. Patents — 259(1)**

Doctrine of contributory infringement in its classical exposition admits that a patentee may temporarily extend his monopolistic market power to unpatented items used in or with his invention since he is able to do this only to the extent the public values his invention and since he is not given a patent in terms over the unpatented items.

**10. Monopolies — 21.2(3)**

Doctrine of patent misuse categorically denies that the value of the patented good can properly be sounded by sales of unpatented goods used in or with it, however unique or important to the invention they may be; any attempt, for the sake of convenience or otherwise, to capitalize on the invention except by dealing in the invention as a whole is beyond the scope of the patent and against public policy.

**11. Monopolies — 21.2(3)**

The patentee who is attempting to completely foreclose competitors is safe from a misuse defense only in selling products that are nonstaple, material parts of his invention, and capable of no substantial noninfringement use. 35 U.S.C.A. § 271(c, d).

**12. Patents — 191**

Once an item has been conveyed, it passes beyond the patentee's monopoly power and the buyer can use it or sell it as he wishes.

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Appeals from the United States District Court for the Southern District of Texas.

Before GEE and VANCE, Circuit Judges, and HUNTER,* District Judge.

GEE, Circuit Judge:

This is an appeal from a grant of summary judgment dismissing plaintiff's claim in a patent infringement suit. It is stipulated that plaintiff-appellant Rohm & Haas Company is sole owner of a patent that describes a method of ap-

**[6537]**

plying a chemical compound, 3, 4-dichloropropionanilide (hereinafter "propanil"), to established crops such as rice

* District Judge of the Western District of Louisiana, sitting by designation.



so as to inhibit the growth of weeds selectively. Propanil itself is not patented; Rohm & Haas succeeded in having a Monsanto patent on the chemical declared invalid in an earlier suit against it by Monsanto.[1]

Rohn & Haas currently makes propanil and sells it in containers bearing instructions for performing the patented process. By operation of law, purchasers of propanil thus receive implied license to use the patented method. Rohm & Haas does not intend either to license other propanil manufacturers to enable them also to license customers to use the patented method or to license customers to use the method with propanil bought from sources other than Rohm & Haas.

The defendants Helena Chemical Company, Dawson Chemical Company, Crystal Manufacturing Corporation, and Crystal Chemical Company, sold propanil for application to rice crops before Rohm & Haas received its patent. Thereafter they continued to sell propanil, knowing of the patent, and their customers have directly infringed the patent by following the method described on defendants' containers of propanil. Defendants intend to continue making and selling propanil with the same recommendations and instructions.

**[1, 2]** Alleging most of these facts in its complaint and the additional fact that propanil is a nonstaple that has no substantial noninfringing use,[2] Rohm & Haas brought

[1] *Monsanto Co.* v. *Rohm & Haas Co.*, 312 F.Supp. 778 (E.D.Pa. 1970), aff'd. 456 F.2d 592 (3d Cir.), *cert. denied.* 407 U.S. 934, 92 S.Ct. 2463, 32 L.Ed.2d 817 (1972).

[2] Defendants Helena and Crystal, at least, seem to have conceded this factual matter for the purpose of the present motions.

Two crucial terms in section 271(c), set out fully in the text below, are "staple article" and "commodity of commerce suitable for substantial noninfringing use." The chief draftsman of the provision, Mr. Giles S. Rich, now Associate Judge of the

suit against the defendants for injunctive and declaratory relief. It alleged that the defendants were actively inducing infringement of the patent and that their sales amounted to contributory infringement since they knew that propanil is a material part of the patented invention, is especially made or adapted for use in the patent, and has no substantial noninfringing use. In their answers, defendants alleged that Rohm & Haas was not entitled to relief because its licensing program amounted to patent misuse and because its patent was invalid for various reasons. They also counterclaimed, alleging that the Rohm & Haas licensing scheme and oth-

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er behavior violated the antitrust laws.[3] The licensing pro-

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United States Court of Customs and Patent Appels, has indicated that the terms are not synonymous. *See Infringement Under Section 271 of the Patent Act of 1952,* 35 U. Pat. Off. Soc'y 476, 493 (1953).

For the sake of simplicity in the technical discussions that follow, however, we have used "staple" to mean a commodity or product with substantial uses apart from the patented invention. By "nonstaple" we have meant to denote a product or material *lacking* substantial uses other than infringing uses. This is not necessarily the sense in which similar terms were used by the Supreme Court in early contributory infringement or misuse cases.

Section 271 contains one other requirement—that the component or material "constitut[e] a material part of the invention." We here assume that propanil will also meet this test, since it is the active ingredient in producing weed-inhibiting effect of the patented method.

[3] Some of the additional allegations are rather serious. Defendants charge that for at least two years prior to the issuance of the method patent, Rohm & Haas representatives coerced distributors into refusing to purchase propanil from anyone else by threatening that uncooperative distributors would be cut off from a supply of propanil after the method patent issued. Since the right to exclude is created by the patent grant and an inventor cannot sue anyone for using his invention before the patent is issued. *Gayler* v. *Wilder,* 51 U.S. (10 How.) 477, 493, 13 L.Ed. 504 (1850), such coercive attempts to gain exclusivity before a patent issues may well constitute misuse. Since the court below has not addressed these contentions, we leave them for another day, observing, on the one hand, that such conduct is not purportedly immunized by § 271(d) and, on the other hand, that misuse traditionally bars an infringement suit only until the misuse has been purged.



gram was specifically attacked as an impermissible tying of purchase of a license under the patent to purchase from Rohm & Haas of the unpatented propanil.

**[3]** All the parties agree that Rohm & Haas' conduct can be characterized as an attempt to "extend the patent" and thus monopolize the market for the unpatented component — conduct deemed patent misuse under the doctrine of *Mercoid Corp.* v. *Mid-Continent Investment Co.,* 320 U.S. 661, 64 S.Ct. 268, 88 L.Ed. 376 (1944). The main point of disagreement for purposes of this appeal is whether 35 U.S.C. § 271(d) reverses the *Mercoid* misuse doctrine when the unpatented component sold is a nonstaple, with no substantial market apart from its use in the patented process. In an able and carefully considered opinion, the district court below concluded that section 271(d) does not immunize Rohm & Haas from charges of patent misuse, and thus he granted the defendants' motion for summary judgment and dismissed the complaint until Rohm & Haas has purged itself of the misuse. Our consideration of the matter has led us to the contrary conclusion; thus, we reverse.

We begin by placing in clear view the statute we construe. The simplicity and ostensible clarity of its words belie the complex and delicate questions of interpretation it has spawned — to the delight of commentators. It reads as follows:

Section 271. Infringement of patent

(a) Except as otherwise provided in this title, who-

ever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory in-



fringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement on contributory infringement.

35 U.S.C. § 271 (1952).

By a very plausible construction of these passages, assuming the patent is valid, defendants are contributory infringers because they have sold propanil for use in practicing a patented process, knowing that the chemical, a material part of the inventive method, is not a staple or commodity of commerce, has no substantial noninfringing



use, and is especially made or adapted for use in infringing the patent.

**[4, 5]** By a further tenable reading of the statute, the plaintiff Rohm & Haas has done only acts which under (d) may no longer be deemed patent misuse or illegal extension of the patent. It has "derived revenue" from sales of propanil, conduct that, under (c), constitutes contributory infringement when done by those who, like defendants, act without consent. And it now "seeks to enforce" its patent rights by suit against defendants' contributory infringement. That it has refused to give licenses either to customers or manufacturers of propanil is of no consequence under this analysis since there is no general policy requiring a patentee to grant explicit licenses in addition to those that arise by operation of law. Moreover, the introductory portion of (d) provides that a patentee may do "one or more" of the enumerated practices. This reinforces the view that a patentee may sell unpatented components while refusing to license others to do the same conduct — sell the unpatented component — without thereby being deemed guilty of misuse.

Assessing plaintiff's conduct through a different lens, defendants argue that what Rohm & Haas has done is *tie* sale of patent rights to purchase of an unpatented element used in carrying out the process. This coercive conditioning of one sale upon another is not mentioned in subsection (d) and therefore survives as a type of misuse sufficient to cause dismissal of plaintiff's suit. Under this analysis, Rohm & Haas is not, in the statutory language, "otherwise entitled to relief," and thus the statute does not immunize its sale of propanil so long as it refuses to license competitors. The statute does not ratify tying of any sort, they claim, and it is even more reprehensible that plaintiff claims such rights regarding a nonstaple. If plaintiff's view pre-

vails, defendants will be entirely foreclosed from any domestic outlet for their product, unlike those who sell mere staples.

Each of these positions is a plausible reading of the bare statute, and each side can cite commentary supporting its particular view.[4] The proper starting

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place for resolving the conflict is with the statute's history. Before beginning, however, a review of the doctrines of contributory infringement and patent misuse will be helpful in understanding the terms of the debate waged in congressional hearings on the proposed statute.

**[6]** The doctrine of contributory infringement was a judicial invention designed to give effective protection to patentees, perhaps occasioned by a narrow judicial definition of *direct* infringement whereby one does not infringe unless he, for example, assembles or practices *every* element claimed in a patent. *Prouty* v. *Draper*, 41 U.S. (16 Pet.) 336, 10 L.Ed. 985 (1842).

Under the latter construction, it soon became apparent that one could appropriate the competitive advantages of a patent by, for instance, selling all the parts of a patented device save one and relying on the purchaser, the direct infringer, to supply the final element and thus complete the device. Permitting such conduct would have effectively

[4] Commentary supporting Rohm & Haas' interpretation of § 271 includes, e. g., Note, *Combination Patents: The Right to Prohibit the Sales of Replacement Parts*, 70 Yale L. J. 649 (1961); J. *Scafetta, Ten Years After Aro II: The Effect of Patent Act § 271 on the Patent Misuse Doctrine*, 26 S. Ca. L. Rev. 539 (1975), reprinted in 58 J. Pat. Off. Soc'y 69 (1976).

Commentary tending to support defendants' view of the statute includes, e. g., Note, *Section 271(b) of the Patent Act of 1952: Confusion Codified.* 66 Yale L.J. 132 (1956). Note, *Contributory Infringement and Misuse — The Effect of Section 271 of the Patent Act of 1952,* 66 Harv. L. Rev. 909 (1953).



immunized both the buyer and the seller, since suits against the many direct infringers were difficult and often uneconomical. Applying general tort principles, the courts provided a remedy for the patentee against such sellers by deeming them joint tortfeasors with their customers, the direct infringers. To avoid ensnaring innocent merchants who sold goods that later and without their knowledge were fashioned into infringing combinations by buyers, the courts required proof that a merchant had intended to encourage infringement. The requisite intent was presumed, however, when the items sold had no use except in the infringing combination.[5]

**[7]** As will be observed from the above discussion, the contributory infringement doctrine focuses on the conduct of patent infringers, rather than on that of the patentee. The theoretical basis for the doctrine was more general, however. The doctrine rested on particular views about the manner in which patentees should be able to extract full economic value from their inventions. This can be seen by reflecting on the result of a successful suit for contributory infringement. The prevailing patentee traditionally could secure an injunction against the contributory infringer and thereby drive him from the relevant market. *See, e. g., Thomson-Houston Electric Co.* v. *Kelsey Electric R. Specialty Co.*, 72 F. 1016 (2nd Cir. 1896). The result, especially when the contributory goods sold were not useful for other purposes, was that the patentee effectively gained control over the market for mere *elements* of his patent — elements that might be, but more probably were not, patented in themselves. In effect, therefore, a

[5] Further discussion of the early cases can be found in C. Miller, *Some Views on the Law of Patent Infringement by Inducement*, 53 J. Pat. Off. Soc'y 86 (1971); Note, *Regulation of Business — Patents — Effect of Section 271 on the Doctrine of Contributory Infringement*, 55 Mich. L. Rev. 909 (1953).

patentee could force anyone who wished to practice his patented process or use his patented machine to purchase the necessary unpatented components from him.

This state of affairs did not bother many courts in the early days of contributory infringement. Against objections that these injunctions in essence extended the scope of the patent so as to give the patentee the same advantage as if

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the element had also been patented, courts answered that a patentee had not been given an additional patent *in terms* and that they would not prohibit the use of the unpatented element in some other combination if another ingenious use for it could be discovered. *See* opinion of Judge Putnam in *Davis Electrical Works* v. *Edison Electric Light Co.*, 60 F. 276, 280 (1st Cir. 1894). And focusing on the analytically similar problem of a patentee's right explicitly to condition use of his patented product or process upon an agreement to buy from him its unpatented elements or unpatented items used with it, courts observed that any monopolistic tendencies would be the legitimate consequence of the meritorious character of the patentee's invention. A patentee would be able to impose restrictive conditions for use of concomitant elements only to the extent of the buyer's valuation of the patented invention itself. *Heaton-Peninsular Button-Fastener Co.* v. *Eureka Speciality Co.*, 77 F. 288 (6th Cir. 1896), exhibits the classic analysis. Observing that patentees had always been accorded the right to retain exclusive use of their inventions, even to the point of suppressing them entirely for the statutory period of monopoly, Judge Lurton hypothesized the case of an invention that so reduced the cost of making shoes, an unpatentable end product, that by underselling his competitor manufacturers the patentee was able to drive them from the shoe market. He then reasoned:



> [I]f the patentees, by retaining to themselves the exclusive use of their invention, are able, legitimately and lawfully, to acquire a monopoly of the manufacture of shoes and destroy the shoe market for those who before had shared it, why may they not, by a system of restricted licenses, permit others to use their devices on condition that only some minor part of the shoe, — the pegs, the tips, the thread, or the buttons, or the button fasteners, — shall be bought from them. If these concessions were such as to enable others to compete though their use of the mechanism was restricted by the terms of the license, who could justly complain if the inventors, content with a monopoly of the market for the article named in their license surrendered the opportunity for a monopoly of the manufacture of the complete shoe.

*Id* at 295.

Initially the Supreme Court showed hesitation when asked to recognize a patentee's derivative power regarding unpatented elements. In *Morgan Envelope Co.* v. *Albany Perforated Wrapping Co.* 152 U.S. 425, S.Ct. 627, 38 L. Ed. 500 (1894), the patentee-plaintiff held two patents. One, found invalid by the Court, covered toilet paper rolled into an oval configuration; the other was a combination patent covering the oval roll of paper and a dispenser that together delivered the paper in premeasured lengths. In ruling that the defendant's sale of oval paper rolls for use with the plaintiff's dispenser was not an infringement, the Court employed two entwined but distinguishable strands of analysis. It first determined that the principle of contributory infringement should not apply when the item sold was "an article of manufacture, perishable in its nature, which it is the object of the mechanism to deliver, and which must be renewed periodically, whenever the device is put to use." 152 U.S. at 433, 15 S.Ct. at 630-631.

Of seemingly equal importance, however, was its second observation that, when the item sold was not itself patentable, the contrary outcome would be

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"giving to the patentee of the machine the benefit of a patent upon the product, by requiring such product to be bought of him." *Id.* The brief opinion shifts back and forth between these two thoughts, and it is difficult to determine whether the Court's concerns about extending the patent were aroused only when the item dealt in was a perishable staple requiring replacement or might also extend to non-staple or uniquely active elements of a patent. Aspects of what came to be known as "patent misuse" were involved in *Morgan Envelope,*[6] but the Court, though it refused to ratify the plaintiff's right to these tactics as regards the rolls of paper, did not seem to consider the conduct as independently wrongful. Rather, certain language suggests that such conduct would be an appropriate concomitant of holding a patent whose elements were not mere staples.[7]

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[6] The plaintiff's practice had been to sell its dispensers only in connection with its oval rolls. Purchasers were required to buy a given quantity of paper for a given number of fixtures, and certain institutional buyers were required to buy subsequent roll supplies from the patentee. 152 U.S. at 431-32, 14 S.Ct. 627.

[7] For instance, immediately after noting that holding for plaintiff would be giving the patentee of "the machine" the benefit of a patent on the product as well, the Court added:

> To repeat an illustration already put. If a log were an element of a patentable mechanism for sawing such log, it would, upon the construction claimed by the plaintiff, require the purchaser of the sawing device to buy his logs of the patentee of the mechanism, or subject himself to a charge of infringement. This exhibits not only the impossibility of this construction of the patent, but the difficulty of treating the paper as an element of the combination at all.

152 U.S. at 433, 14 S.Ct. at 631. Moreover, it is interesting to note that the plaintiff did not hold a patent on the dispenser, "the machine," in itself — but only on the combined dispenser with paper — yet the Court seems to speak as if he did.



In the leading case of *Leeds & Catlin Co.* v. *Victor Talking Machine Co.,* 213 U.S. 325, 29 S.Ct. 503, 53 L.Ed. 816 (1909), the Court retreated from its ambiguous reluctance to give protection to unpatented elements of a combination patent. Plaintiff Victor, whose patent covered disc records and a stylus that combined to reproduce the sound recorded on the discs, had sued Leeds & Catlin to prevent its sale of other recorded discs that were to be used by owners of Victor machines in an alleged infringement. Leeds' primary defense was that use of its records with the Victor stylus accomplished permissible "repair" of the patented device rather than a prohibited "reconstruction." Reviewing "some rudimentary principles" regarding combination patents before assessing this contention, the Court observed that, whether constituted of new or old elements, it is the combination that is the relevant invention and is protected by law as a unit. The Court reiterated, however, that whoever contributes to the use of the combination absent permission also infringes the patent and, in words striking close to the position enunciated in *Morgan Envelope,* continued:

> It may be well here to get rid of a misleading consideration. *It can make no difference as to the infringement or noninfringement of a combination that one of its elements or all of its elements are unpatented.* For instance, in the case at bar the issue between the parties would be exactly the same, even if the record disc were a patented article which petitioner had a license to use or to which respondent had no rights independent of his right to its
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> **[6543]**
>
> use in the combination. In other words, the fact that the disc sold by petitioner is unpatented does not affect the question involved except to give an appearance of a limitation of the rights of an owner of a Victor machine other than those which attach to him as a

> purchaser. The question is, What is the relation of the purchaser to the Victor Company? What rights does he derive from it? To use the machine, of course, but it is the concession of the argument of petitioner that he may not reconstruct it. Has he a license to repair deterioration, and when does repair become reconstruction?

213 U.S. at 333, 29 S.Ct. at 505 (emphasis added). With this language, the Court seemed to reject the notion that the patent status of mere elements is a source of limits on the rights of patentees against their licensees, customers or alleged infringers. The inquiry is shifted instead to an examination of the contractual relationship between the purchaser and the patentee. *Morgan Envelope,* on which the defendants had relied heavily, was distinguished. As contrasted with the paper rolls that stood in relation to the dispenser as "a machine and its product" and that perish in use, requiring periodic renewal, the disc and stylus were each active elements in producing the result, distinguishing the invention and advancing upon the prior art. *Id.* 213 U.S. at 333-36, 29 S.Ct. 503.

The Court also rejected the defendant's attempt to characterize its discs as a staple item of manufacture, noting that the trial court had found that the allegedly noninfringing device in which the defendant's records could be used was not commercially viable. Defendants therefore knew that the only use their records would receive would be in connection with the patented machine. The Court also noted, however, that the injunction forbade only the use of the records in connection with the patent. *Id.* at 337, 29 S.Ct. 503.

Following *Leeds & Catlin,* the Court allowed patentees even greater latitude in reaping economic benefits from their inventions through license restrictions or notice. *Henry* v. *A. B. Dick Co.,* 224 U.S. 1, 32 S.Ct. 364, 56 L.Ed.



645 (1912), written by Justice Lurton, who had earlier penned the *Button-Fastener* opinion for the Sixth Circuit, marks the high water in this area. The principles enunciated in *Dick* effectively enabled a patentee to "tie" ordinary staples of commerce, none of which was even an element of the patented device, to a purchaser's right to use the device. This result was achieved by enforcing through the patent law instead of general contract law a notice attached to each patented machine at sale that required the purchaser to use the machine only with stencil paper, ink, or other supplies made by the patent holder, A. B. Dick. The majority ruled that any breach of these conditions by the buyer constituted infringement of the underlying patent and that any conduct aiding the breach was contributory infringement.

On the question whether, thus applied, the doctrine of contributory infringement operates to extend the monopoly of the patent to subjects not within it, Justice Lurton stated:

> If a patentee says, "I may suppress my patent if I will. I may make and have made devices under my patent, but I will neither sell nor permit anyone to use the patented things," he is within his right, and none can complain. But if he says, "I will sell with the right to use only with other things proper for
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> **[6544]**
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> using with the machines, and I will sell at the actual cost of the machines to me, provided you will agree to use only such articles as are made by me in connection therewith," — if he chooses to take his profit in this way, instead of taking it by a higher price for the machines, has he exceeded his exclusive right to make, sell, and use his patented machines? *The market for the sale of such articles to the users of his machine, which, by such a condition, he takes to himself, was a*

> *market which he alone created by the making and selling of a new invention. Had he kept his invention to himself, no ink could have been sold by others for use upon machines embodying that invention. By selling it subject to the restriction, he took nothing from others and in no wise restricted their legitimate market.*

224 U.S. at 32, 32 S.Ct. at 373 (emphasis added). Observing that a like objection had been made against injunctions restraining the sale for infringing purposes of a single element in a patented combination, the majority then answered the contention in the language of Judge Putnam in *Davis Electric*, discussed above.

Justice White, for the minority, voiced conflicting reasoning that later became prevalent in patent misuse cases:

> [T]he ruling now made in effect is that the patentee has the power, by contract, to extend his patent rights so as to bring with the claims of his patent things which are not embraced therein, thus virtually legislating by causing the patent laws to cover subjects to which, without the exercise of the right of contract, they could not reach, the result not only to multiply monopolies at the will of an interested party, but also to destroy the jurisdiction of the state courts over subjects which, from the beginning, have been within their authority.

*Id.* at 53, 32 S.Ct. at 381.

Two years later in partial response to *Dick,* Congress passed section 3 of the Clayton Act and the Federal Trade Commission Act. New members of the Court joined with the *Dick* minority to form a new majority, and thereafter the Court began a retreat from the principles just reviewed. Their vehicle was the new doctrine of patent misuse.

In *Motion Picture Patents Co.* v. *Universal Film Manufacturing Co.,* 243 U.S. 502, 37 S.Ct. 416, 61 L.Ed. 871



(1917), Mr. Justice Clarke, for the new majority, held that a patentee may not, as a function of general *patent* law,[8] require by notice a purchaser to limit use of patented movie machine to unpatented films that do not form part of the patented machine. With the attempted restriction ruled invalid, there was no further basis for a charge of direct or contributory infringement, and the plaintiff was denied relief.

The Court rested its decision, which of course required reversing *Dick,* on an analysis of "fundamental" principles embodied in the patent statute. From the basic proposition that the scope of a patent is limited to the invention described in its claims, coupled with the rule that the statutory policy of benefitting the public outweighs the policy of benefitting inventors, the Court concluded that

**[6545]**

> the monopoly granted by law should not extend to, and thus cannot sanction a patentee's control of, mere materials "with which or on which the machine operates." 243 U.S. at 509-13, 37 S.Ct. at 419. The majority further reasoned that a reward based on the entire invention was a fair measure of an inventor's creativity and that "he should not be permitted by legal devices to impose an unjust charge upon the public in return for the use of it." *Id.* at 513, 37 S.Ct. at 419. The *Dick* majority had thought well of the patentee's system of selling a machine at practically cost and making its entire profit from the sale of supplies because the intention was thereby made widely available to the public. The new majority thought such facts "the clearest

[8] The Court left open the question whether the patentee and purchaser could agree to a similar restriction by "special contract," but its language about the public policies implicated by such arrangements cast some doubt on the validity of such tactics as well. 243 U.S. at 509, 513, 37 S.Ct. at 419.

possible condemnation of [the patentee's system]." Echoing the *Dick* dissent, Justice Clarke explained:

> [I]t proves that, under color of its patent, the owner intends to and does derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used, and which are wholly without the scope of the patent monopoly, thus in effect extending the power to the owner of the patent to fix the price to the public of the unpatented supplies as effectively as he may fix the price on the patented machine.

243 U.S. at 517, 37 S.Ct. at 412.

In *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27, 51 S.Ct. 334, 75 L.Ed. 819 (1931), the Court reviewed a merchandising system in which the patentee and its licensee sold solid carbon dioxide and by notice, without extra charge, extended to each customer an implied license to use the dry ice in patented cardboard transportation packages. Neither the plaintiff nor other licensees actually sold these carboard packages. The Court relied on *Motion Picture's* reasoning to categorize the conduct as "abuse of the patent monopoly" and a bar to relief against a contributory infringer. The system was considered the equivalent of conditioning grant of a patent license on the purchase of unpatented materials used in connection with the invention.

The plaintiffs tried to distinguish *Motion Picture* by arguing that the unpatented item sold here was a necessary element of the patented combination, as opposed to a mere supply used with the invention. They also sought to distinguish themselves from *Morgan Envelope* by arguing that, unlike the passive toilet paper there involved, the carbon dioxide was the dynamic element that produced refrigeration. Justice Brandeis, for the majority, rejected these distinctions as lacking legal significance.



> Infringement, whether direct or contributory, is essentially a tort, and implies invasion of some right of the patentee. . . . The Dry Ice Corporation has no right to be free from competition in the sale of solid carbon dioxide. Control over the supply of such unpatented material is beyond the scope of the patentee's monopoly; and this limitation, inherent in the patent grant, is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used. Relief is denied because the Dry Ice Corporation is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention.

283 U.S. at 33, 34, 51 S.Ct. at 336. He next analogized the patentee's conduct to antitrust violations in which patents



had been used as instruments for restraining commerce.[9] Finally, the principle of *Leeds & Catlin* was distinguished since "[t]here was no suggestion that the Victor Company, which itself manufactured and sold the patented product,"

[9] Building on the previous construction of Clayton Act, Section 3, in *United Shoe Machinery Corp.* v. *United States,* 258 U.S. 451, 41 S.Ct. 363, 66 L.Ed. 708 (1922), and on this reference in *Carbice,* analysis of conduct constituting patent misuse as an independent violation of antitrust laws proceeded apace in later years. In *IBM* v. *United States,* 298 U.S. 131, 56 S.Ct. 701, 80 L.Ed. 1085 (1936), the Justice Department won a section 3 suit against IBM for leasing its patented tabulating machines upon condition that lessees use with the machines only tabulating cards sold by IBM. Though both the machines and the cards, at least once they had been punched to encode information, were separately patented, the Court ruled that the tying clause was prohibited by section 3. The effect of the condition, the Court stated, "may be to substantially lessen competition." The Court thought such a clause necessarily tended to create a monopoly and had in fact been an important and effective step in creating an IBM monopoly.

sought to derive its profits from unpatented element, as opposed to the invention as a whole.

In *Leitch Manufacturing Co.* v. *Barber Co.*, 302 U.S. 458, 58 S.Ct. 288, 82 L.Ed. 371 (1938), the Court assessed the mode of business used now by Rohm & Haas. The patentee thought it might foreclose a misuse defense by carefully avoiding use of notices or explicit contract restrictions. It merely sold materials used in carrying out the patented process, thereby granting an implied license to use the patented invention. The Court, however, had no trouble identifying its conduct as prohibited tying, despite the lack of an explicit condition that the license was granted only upon purchase of the materials used in the process.

In *Leitch*, as in all the earlier misuse cases to reach the Court, the patentee had been profiting by sale of *staple* elements or concomitants of the patent. It was still possible for the bar to think that a patentee might not be deemed guilty of misuse for attempting to control the market in unpatented elements that had no use at all outside his patented invention.[10]

Though such a distinction between staples and nonstaples was rejected at the appellate level in one of the next pair of cases to reach the Court, *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U.S. 488, 62 S.Ct. 402, 86 L.Ed. 363 (1942), and *B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495, 62 S.Ct. 406, 86 L.Ed. 367 (1942), the various Supreme Court opinions do not address the question. In *Morton Salt*, the Court for the first time upheld a summary judgment dismissing a patentee's suit against a *direct* infringer on misuse grounds. In addition to the customary language about the anti-

[10] Broad statements of the *Carbice* rule, however, like that in *Leitch*, "every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited," 302 U.S. at 463, 58 S.Ct. at 290, should have counseled caution.



competitive effects of misuse, the Court's opinion included a new attention to the effect on competition of a successful infringement suit itself:

> Where the patent is used as a means of restraining competition with the patentee's sale of an unpatented product, the successful prosecution of an infringement suit even against one who is not a competitor in such sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public pol-
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> [6547]
>
> icy underlying the grant of the patent. Maintenance and enlargement of the attempted monopoly of the unpatented article are dependent to some extent upon persuading the public of the validity of the patent, which the infringement suit is intended to establish.

314 U.S. at 493, 62 S.Ct. at 405.

*B. B. Chemical*, the case involving the possible staple/nonstaple distinction, is noteworthy here primarily because in it the Court rejected the potential defense of commercial practicability. The patentee had argued that he should be allowed to sell the unpatented materials with an implied license to practice the patented method because he could not practicably exploit the particular patent rights by granting licenses. The Court replied that the patent monopoly is not to be enlarged simply because it would be more convenient for the patentee to have it so or because he "cannot avail himself of its benefits within the limits of the grant," 314 U.S. at 498, 62 S.Ct. at 408.

The culmination of the developing misuse theory occurred in companion decisions in 1944. *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661, 64 S.Ct. 268, 88 L.Ed. 376 (1944) (*Mercoid I*), and *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680, 64 S.Ct. 278, 88

L.Ed. 396 (1944) (*Mercoid II*). In these cases the Court definitively entered *Leeds & Catlin* turf and held it misuse for a patentee to attempt to control the market for unpatented elements that had no use at all outside the patented invention. The combination patent at issue in *Mercoid* covered a furnace stoker system. Mid-Continent held the patent and had granted an exclusive license to Minneapolis-Honeywell to make, use, or sell the patent and/or to sublicense others. Neither company made or installed the entire patented system; Minneapolis-Honeywell merely sold the stoker switches which, when installed with a thermostat and a motor-driven stoker, formed the patented combination. The right to construct the combination was granted only to those who bought Minneapolis-Honeywell switches; royalties from Minneapolis-Honeywell to Mid-Continent were based on the sales of the unpatented stoker switches. The defendant Mercoid Corporation was an unlicensed competitor in the business of selling the switches, and a lower court opinion reveals that Mercoid had earlier refused an offer of a license.

In *Mercoid I*, though the Court assumed that Mercoid was a contributory infringer and could have been enjoined by an innocent patentee, it barred Mid-Continent from enforcing the patent because its licensing system constituted an attempt to extend the grant of the patent to unpatented devices. Admitting that the earlier cases had involved the use of a patent to secure partial monopoly "in supplies consumed in its operation or unpatented materials employed in it," the Court, through Justice Douglas, could see no difference in principle where the unpatented material or device "is itself an integral part of the structure embodying the patent" and was not useful in any other manner. 320 U.S. at 665, 64 S.Ct. at 271. The Court saw in the patentee's conduct not a struggle to protect its rights re-



garding the combination patent, but rather a contest "solely over unpatented wares which go into the patented product." *Id.* at 666, 64 S.Ct. at 271-272. Thus, the patent was being impermissibly employed to protect the

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market for a device on which no patent had been granted. Irrespective of whether the stoker switch was "the heart of the invention" or the "advance in the art," since the separate element had not been claimed as the invention, it is not protected by the patent monopoly "when dealt with separately" *Id.* at 667, 64 S.Ct. 268.

In language thought by many to have abolished the doctrine of contributory infringement, Justice Douglas proceeded:

> The protection which the Court in [*Leeds & Catlin*] extended to the phonograph record, which was an unpatented part of the patented phonograph, is in substance inconsistent with the view which we have expressed in this case. The rule of the *Leeds & Catlin Co.* case (No. 2) accordingly must no longer prevail against the defense that a combination patent is being used to protect an unpatented part from competition. Where there is a collision between the principle of the *Carbice Case* and the conventional rules governing either direct or contributory infringement, the former prevails.
>
> The result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider.

320 U.S. at 668-69, 64 S.Ct. at 272-273.

In *Mercoid II*, Mr. Justice Douglas went even further and ruled that the legality of any attempt to bring unpatented goods within the protection of the patent is mea-

sured by the antitrust laws, not by the patent law. Further, he ruled, the effort there made to control competition in the unpatented switch plainly violated the antitrust laws, and he remanded the case for further proceedings on the alleged infringer's antitrust counterclaim.[11]

In the aftermath of *Mercoid,* strange to say, there was great confusion in the courts and among the patent bar regarding the proper scope of contributory infringement. Some courts, carrying the Court's reasoning and dictum to the extreme, held that merely filing a suit for contributory infringement constituted an attempt to control the market in unpatented goods and dismissed the suit for misuse. *See, e. g., Stroco Products* v. *Mullenbach,* 67 U.S.P.Q. 168 (S.D.Cal. 1944). A movement arose among the bar to put some effective measure of contributory infringement back into the law, and various committees came forward to draft proposed legislation for consideration by the congressional committee then codifying the general patent law. The ultimate result was section 271.

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**[8-10]** Before turning to the legislative history of that provision, we offer a few reflections on the two doctrines it touches. In addition to briefly recounting the develop-

[11] Despite the broad language in *Mercoid II,* there has continued to be a distinction drawn between acts that will cause an equity court to withhold its aid — the defense of patent misuse — and the often overlapping range of conduct prohibited by the antitrust laws and thus the potential basis for a treble damage cause of action. *See, e.g.,* T. Maffei, *The Patent Misuse Doctrine: A Balance of Patent Rights and the Public Interest,* 52 J.Pat.Off.Soc'y 178 (1970).

The developing antitrust assessment of tying conduct came to fruition in *International Salt Co.* v. *United States,* 332 U.S. 392, 68 S.Ct. 12, 92 L.Ed. 20 (1947), and *Northern Pacific Railway Co.* v. *United States,* 356 U.S. 1, 78 S.Ct. 514, 2 L.Ed.2d 545 (1958), patent and nonpatent cases respectively. Such business schemes were held to be per se violations of section 1 of the Sherman Act and section 3 of the Clayton Act.



ment of contributory infringement and misuse, it has been a purpose of the above review to demonstrate that, though the doctrines are technically distinct — one focusing solely on the patentee's conduct and the other focusing solely on that of the alleged infringer — they rest on antithetical underpinnings. The doctrines clearly conflict concerning the permissible means by which a patentee may extract from the buying public the full monetary measure of his invention's competitive superiority. The doctrine of contributory infringement in its classical exposition admits that a patentee may temporarily extend his monopolistic market power to unpatented items used in or with his invention since he is able to do this only to the extent the public values his invention and since he is not given a patent *in terms* over the unpatented items. In other words, the public will never pay more for use of the invention and its necessary concomitants than it thinks the full invention is worth. And since the patentee is not given a formal patent right regarding unpatented elements, competitors may freely sell them for any uses except in connection with the patented device — they are foreclosed only from the markets for their goods that exist *because of* the patented invention. The doctrine of patent misuse, on the other hand, categorically denies that the value of the patented good can properly be sounded by sales of unpatented goods used in or with it, however unique or important to the invention they may be. Any attempt, for the sake of convenience or otherwise, to capitalize on the invention except by dealing in the invention *as a whole* is beyond the scope of the patent and against public policy.

Seen in this light, there was more than a grain of truth in Justice Douglas' much maligned "dictum" in *Mercoid* that the result in that case, together with the other patent misuse cases, "limits substantially the contributory infringement doctrine" — to the extent that only some unex-

plored "residuum" might be left. Theoretically, the two doctrines can hardly coexist. The protection of unpatented elements granted in *Leeds & Catlin* is inconsistent with pro-consumer and pro-competitor values protected by thoroughgoing misuse principles. This can be demonstrated by considering the hypothetical case of the "good patentee." Posit a patentee who is exploiting his invention totally within the bounds of its claimed scope. He has the capability to produce and market a sufficient supply of the patented combination to reap his legitimate monopoly profits. Thus, he declines, as is his right, to license others to manufacture and sell the invention. He learns that his patent is being infringed by consumers with the aid of Mr. D, who has been making and selling, with instructions for completing the invention, the unique elements of his patent, elements that have no use outside the invention. Since the patentee is marketing the whole of his invention, he cannot be charged with wrongfully extending his patent.[12] His suit against

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Mr. D. for contributory infringement is therefore successful, and he is granted the traditional injunction that forces Mr. D to cease the challenged conduct. It seems evident from this scenario that, by use of the contributory infringement doctrine, the patentee has foreclosed competitors in the unpatented item, "leveraging" his one lawful monopoly into the market for an unpatented item where he now has no competition. What difference can it possibly make either

[12] Of course, if, as the *Stroco* court thought, the mere bringing of a contributory infringement suit is misuse, the patentee is barred. But this extreme definition of misuse would succeed in *totally* destroying contributory infringement principles, a result that, though logically consistent, apparently was not contemplated by Justice Douglas. He explicitly assumed that *Mercoid* was susceptible to an injunction at the hands of the proper plaintiff, 320 U.S. at 668-69, 64 S.Ct. 268.



to consumers or to competitors in the market for the unpatented item that the patentee has made his profits by selling the entire combination instead of the unique element? Competition in the submarket has been destroyed.

Despite the anomaly, caused, we think, by the conflicting bases of the doctrines, all sorts of prudential lines might be drawn to demarcate the doctrines and save for each some "appropriate" scope. Indeed, this was done in each successive patent misuse case before *Mercoid*. For instance, when the Court in *Motion Picture* disapproved a patentee's right to tie unpatented staple supplies used with the invention, it seemed carefully to imply that a different rule might apply when the unpatented item was used in, as a part of, the invention. When it took the next step down the road in *Carbice,* disapproving a tie of the unpatented staple *element* to use of the patented invention, it was possible to think that an element with no noninfringing use might be treated differently, especially since the Court went out of its way to approve the *Leeds & Catlin* holding. *Mercoid* only carried the misuse doctrine a logical step further in wiping out a patentee's right to profit from an unpatented element with no use at all outside the patented item. That the misuse doctrine had really triumphed over the contributory infringement doctrine seems evident in Justice Douglas' disapproval of *Leeds & Catlin,* a move unnecessary to the narrow *Mercoid* holding since the Court had previously described the *Leeds* patentee as a patentee profiting only by sale of the entire combination.[13]

[13] The *Carbice* Court had so described the *Leeds* patentee. 283 U.S. at 34, 51 S.Ct. 334. Query, though, whether the description was accurate. Woud the Victor Company have had much incentive to sue Leeds unless Victor itself desired to capture the market for both replacing broken records and supplementing the buyer's collection with new tunes? Surely the suit would have been unnecessary if Victor merely intended to sell only a single record for use with the more durable stylus.

It is possible that this *Mercoid* "dictum" casting doubt on the entire contributory infringement doctrine is all that was overruled by the enactment of section 271. It is possible that section 271, as defendants and several commentators urge, merely codifies the *Mercoid* result along with other patent misuse law. If so, then plaintiff Rohm & Haas cannot be allowed to foreclose the defendants from the propanil market, though, were Rohm & Hass merely practicing its exclusive right to spray farmers' fields with propanil, it could successfully sue to prevent the defendants from continuing their present practices. It is therefore with special care that we turn to the statute's legislative history so that we may interpret its words in light of the purposes Congress sought to serve by its enactment.

There was apparently no debate on the House floor regarding the 1952 codifica-

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tion and scant public debate in the Senate. An interchange in the Senate shortly before the bill was passed has often been cited as evidence that section 271 did not overturn the result in *Mercoid*.[14] In response to a question by Senator Saltonstall about the purpose of the bill, whether it changed the law in any way or merely codified it, Senator McCarran, Chairman of the Judiciary Committee that had been in charge of the bill in the Senate, stated: "It codifies the present patent laws." 98 Cong. Rec. 9323 (July 4, 1952). The force of this exchange is mitigated, however, by Senator McCarran's introduction a few moments later of a short prepared statement that in part states:

[14] *See, e.g., Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 347 n. 2, 81 S.Ct. 599, 5 L.Ed.2d 592 (1961) (Black, J., concurring). See, however, the discussion of this passage in the court below. *Rohm & Haas Co.* v. *Dawson Chem. Co.*, 191 U.S.P.Q. 691, 701 n. 9 (S.D.Tex. 1976).



> In view of the decisions of the Supreme Court and others as well as trial by practice and error there have been some changes in the laws of patents as it now exists and some new terminology used.

*Id.* To one familiar with the rest of the legislative history, that sentence seems almost certainly a reference to section 271 and the *Mercoid* case, among others.

The reports on the bill issued by the House and Senate Committees on the Judiciary each contain language similar to McCarran's in discussing section 271. The reports and, indeed, the title of the bill indicate its general purpose to be the revision, as well as the codification of the patent law, which had largely developed in the courts to supplement earlier and more sparse patent statutes. The reports explain that section 271 was designed to remove the "considerable doubt and confusion" engendered by "a number of decisions of the courts in recent years" and that paragraphs (b), (c), and (d) were to provide "clarification and stabilization."[15]

[15] As general description of the bill, each report states:

> Although the principal purpose of the bill is the codification of title 35, United States Code, and involves simplification and clarification of language and arrangement, and elimination of obsolete and redundant provisions there are a number of changes in substantive statutory law. These will be explained in some detail in the revision notes keyed to each section which appear in the appendix of this report. The major changes or innovations in the title consist of incorporating a requirement for invention in § 103 and the judicial doctrine of contributory infringement in § 271.

H.R.Rep.No.1023, 82d Cong., 2d Sess. 5 (1952); S.Rep.No.1979, 82d Cong., 2d Sess. 4 (1952).

The summary of section 271 more specifically states:

> Section 271, paragraph (a), is a declaration of what constitutes infringement. There is no declaration of what constitutes infringement in the present statute. It is not actually necessary because the granting clause creates certain exclusive rights and infringement would be any violation of those rights.

Though other portions

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of the reports state that only changes "deemed substantially noncontroversial and desirable" were made in the then current patent law principles,[16] the transcript of hearings held by the House Judiciary Committee indicates that the

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Paragraphs (b), (c), and (d) relate to the subject referred to as contributory infringement. The doctrine of contributory infringement has been part of our law for about 80 years. It has been applied to enjoin those who sought to cause infringement by supplying someone else with the means and directions for infringing a patent. One who makes a special device constituting the heart of a patented machine and supplies it to others with directions (specific or implied) to complete the machine is obviously appropriating the benefit of the patented invention. It is for this reason that the doctrine of contributory infringement, which prevents appropriating another man's patented invention, has been characterized as "an expression both of law and morals." Considerable doubt and confusion as to the scope of contributory infringement has resulted from a number of decisions of the courts in recent years. The purpose of this section is to codify in statutory form principles of contributory infringement and at the same time eliminate this doubt and confusion. Paragraph (b) recites in broad terms that one who aids and abets an infringement is likewise an infringer. The principle of contributory infringement is set forth in the provisons of the next paragraph which is concerned with the usual situation in which contributory infringement arises. This latter paragraph is much more restricted than many proponents of contributory infringement believe should be the case. The sale of a component of a patented machine, etc., must constitute a material part of the invention and must be known to be especially made or especially adapted for use in the infringement before there can be contributory infringement, and likewise the sale of staple articles of commerce suitable for non-fringement use does not constitute contributory infringement. The last paragraph of this section provides that one who merely does what he is authorized to do by statute is not guilty of misuse of the patent. These paragraphs have as their main purpose clarification and stabilization.

H.R.Rep.No.1923, 82d Cong., 2d Sess. 9 (1952); S.Rep.No.1979, 82d Cong., 2d Sess. 8 (1952).

[16] *See e. g.*, H.R.Rep.No.1923, 82d Cong., 2d Sess. 3 (1952).



decision to consider section 271 "noncontroversial" was in itself a controversial issue.[17]

The most important portions of those hearings, for our purposes, involve the various appearances of Mr. Giles S. Rich, the chief draftsman of the contributory infringement provisions. The tenor of his explanations indicates that section 271 was designed to immunize behavior like that in issue here.

Evidence of this can be found, for instance, in his discussion of an unreported case, *Amalgamated Dental Co.* v. *William Getz Corp.*, in the Eastern District of Illinois. 1951 Hearings at 154-56. The plaintiff-inventor had secured a patent on a method of making dental impressions by mixing four chemicals in an aqueous solution that dried into a stiff elastic gel. The patentee was retailing his invention by selling the four chemicals as a unit, with directions for completing the mixture by adding water before the material was to be applied. The alleged infringers were marketing the invention in identical fashion. The district court, which had originally decided the *Mercoid* case and had easily perceived misuse there and in other cases, balked at deeming the patentee guilty of misuse simply because, along with his four chemicals, he had not included a little water.

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[17] Hearings were held by successive Congresses to consider the complex question of revising and codifying the patent law and particularly the contributory infringement problem. Patent Law Codification and Revision: Hearings on H.R.3760 Before Subcomm. No. 3 of the House Comm. on the Judiciary, 82d Cong., 1st Sess. 1951) [hereinafter 1951 Hearings]; Contributory Infringement: Hearings on H.R.3866. Before Subcomm. No. 4 of the House Comm. on the Judiciary, 81st Cong., 1st Sess. (1949) [hereinafter 1949 Hearings]. Contributory Infringement in Patents — Definition of Invention: Hearings on H.R.5988, H.R. 4061 and H.R.5248. Before Subcomm. on Patents, Trademarks and Copyrights of the House Comm. on the Judiciary, 80th Cong., 2d Sess. (1949) [hereinafter 1949 hearings].

After quoting the court's gyrations in allowing the suit over the asserted defense ("the water just constitutes the environment in which these chemicals per-

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form"), Rich remarked that "[l]ogically, he cannot get around the *Mercoid* case." Rich noted that courts faced the same problem regularly in fact situations of this kind and that they were deciding inconsistently. He then went on to explain that the statutory solution was designed to avoid restricting competition in items that were staples, while at the same time allowing patentees to deal in certain materially important unpatented elements and to sue competitors therein without being thrown out of court on grounds of misuse. *Id.* at 157-59. He was especially concerned with a situation where the economics of the industry is such, perhaps, that the invention is not sold in the form in which it is claimed in the patent; it is sold in a slightly incomplete form like the lamp without the chimney, so that there is a technical defense based on the omission of something mentioned in the claim.
*Id.* at 158.[18]

Another telling feature of Mr. Rich's remarks is his observation that the new statutory rule cannot be compared to any definite era in the history of the contributory infringement and patent misuse doctrines.[19] *Id.* at 161.

[18] Such a concern for economical distribution of inventions is of course at odds with the Supreme Court's earlier views in *B. B. Chemical, supra.*

[19] This view was also presented by Mr. P. J. Federico of the U. S. Patent Office, who, in giving a quasi-official overview of the bill except for section 271, remarked that

> paragraph (c) which is the key section, was devised by the groups working on it as an attempt to state in statutory form the theory of what has been called contributory infringement of patents in a manner which, looked at from certain points of view, might be considered restrictive of what has been held in the past and looked at from some other points of view might be considered broader.



Rather, the line drawn by paragraphs (c) and (d) represents a careful compromise between the public policy of encouraging competition, vindicated by exempting sales of staples from the definition of contributory infringement, and a patentee's desire to market his device in the most practical manner possible and to protect it against piracy. Under paragraphs (c) and (d), the patentee has no right to sue anyone who is merely marketing a staple, or even a nonstaple that does not amount to a *material* part of his invention. Such conduct by unlicensed competitors is not defined as contributory infringement. Thus, as long as a competitor is not actively inducing infringement (as by advertising or giving detailed instructions for practicing the invention with his products — conduct prohibited by paragraph (b)), a seller may even *know* or *intend* that his products will be used in an infringement, and a patentee will not be able to foreclose him from the market. *See generally id.* at 159-62.[20]

[20] Mr. Rich emphasized this narrow but important shift in doctrine by noting the result in the *Carbice* decision would not be changed:

> There would be no possibility under this section of utilizing the patent to monopolize the sale of dry ice whch was a staple article of commerce, or a commodity of commerce which had been known 80 years. It would still be misuse as in the *Carbice* case, even though this section were enacted.

*Id.* at 161.

In the context, the negative implication of these remaks is clear: patentees who market unpatented nonstaples might possibly monopolize such sales. And in his remarks at earlier hearings, to which he referred the committee at several points, he made this explicit:

> The exception which we wish to make to the misuse doctrine would reverse the result in the *Mercoid* case; it would not reverse the result in the *Carbice* case.

1949 Hearings at 67, 68-69.

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This understanding of the joint effect of paragraphs (c) and (d) is reinforced by the arguments of the bill's opponents, most prominently the Justice Department. T. Hayward Brown, Chief of the Patent Litigation Unit, showed especial opposition to paragraph (d), which the Justice Department deemed a major and controversial change in the current misuse principles and, as such, inappropriate for inclusion in a codification.[21]

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[21] Part of Mr. Brown's assessment is as follows:

> These provisions would result in writing into the patent statutes for the first time the strictly judicial doctrine of contributory infringement, a doctrine which has been the subject of considerable controversy and has been properly limited by the courts in recent years. This Department is opposed to extending the law of contributory infringement. The revision would clearly extend it in several respects. In the first place, paragraph (b) would put the contributory infringer in the same category as a direct infringer, thereby subjecting him to the limitations and liabilities of the latter.
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> Paragraph (d) would greatly impair the salutary doctrine that a patentee who has misused his patents may not recover in a suit for either direct or contributory infringement. The Supreme Court has held that a requirement by a patentee that users purchase from him or his exclusive licensee unpatented part not within the scope of the patent, was a misuse of the patent and barred recovery even though contributory infringement was assumed to exist. This doctrine is a most important factor in the enforcement of the antitrust laws with respect to tying arrangements and the Department is opposed to any impairment thereof.
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> It is not clear to what extent paragaph (b) is intended to enlarge the present law on contributory infringement. The phrase, "actively induces infringement" might cover many situations which are not now considered to be contributory infringement. Paragraph (c) also appears to enlarge the scope of contributory infringement. While some cases have indicated that one who sells an article not capable of use except in an infringing manner is liable for contributory infringement even in the absence of actual knowledge of the infringement, the sounder approach would seem to be that such facts merely give rise to a rebuttable presumption of intent to infringe.



One who read section 271 differently from Mr. Rich, and is thus often cited to support a narrow interpretation of it, is Representative Crumpacker, a member of the House subcommittee conducting the hearings on the bill. When Mr. Fugate of the Justice Department railed against the provision because of its ostensible legitimation of certain types of misuse, Crumpacker's response indicates he read the language as applying to innocent conduct not previously deemed misuse or "monopolistic practices" by the courts.[22] 1951 Hearings at 165-64 and following. Mr. Rich was brought back to clarify matters. Mr. Rogers then summarized Rich's position as follows:

> Now, due to what many members of the patent bar believe, that it did away with contributory infringement cases, you feel that we should now state as a positive law a cause of action against contributory infringement

[6555]

> as set forth in section (c), and that if he has done one of the three things in section [(d)], that shall not be considered a misuse of his patent, and *thereby re-establish what you thought you had before the Mercoid case*. Isn't that about what the situation is?

*Id.* at 173 (emphasis added).

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1951 Hearings at 96-97. *See also* the remarks of Mr. Wilber L. Fugate, an attorney of the Justice Department's Antitrust Division, 1951 Hearings at 162-69.

[22] Mr. Crumpacker seemed incredulous at Mr. Fugate's suggestion that, if applied generally, paragraph (d) would immunize conduct which the courts had found to be misuse. He countered:

> It says that he shall not be deemed guilty of misuse because he has done one of these three things. It doesn't say that he shall be deemed not guilty of misuse because he has done this. I think you are reading it backward. That is, he may have done all three of these things and still be guilty of misuse, as I interpret the language.

1951 Hearings at 167.

Mr. Rich agreed and further explained that to recover a full complement of contributory infringement meant something had to be done about misuse.

> So attached to paragraph (c) we have a paragraph (d) that says that the recovery, the enforcement against contributory infringers, the holding out of the patent against contributory infringers, and granting them licenses, the use of it to protect the business and making money out of it, and getting your reward as a patentee, all of these things shall not be misuse, and then contributory infringement, which we have had all the time, would become effective again to the extent that they wish to have it so.

*Id.*

In a final clarification, Mr. Rogers revived an earlier line of inquiry: whether the enumerated rights were innocent in themselves or whether the courts had previously deemed each one of them patent misuse. As the final comprehensive discussion of section 271(d), and as a treatment that seemed to satisfy Representative Crumpacker sufficiently so that he turned to another matter, this exchange, set out in the margin, is worthy of study.[23]

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[23] Mr. Rogers. May I ask this further question? Do you know of any case where the plaintiff was denied relief because he had accepted revenue from acts which, if perfomed by another without his consent, would constitute contributory infringement of the patent? That is number one.

Mr. Rich. The *Barber Asphalt* case, I think is typical of that, and to some extent the *Carbice* case. In the *Carbice* case there was a form of license on the invoice. In the *Barber Asphalt* case they tried to distinguish on the ground that they had no agreements with anybody, so that what they were doing was deriving revenue in the form of profits from the sale of the unpatented staple commodity for use in the invention.



Though because of stray passages like those involving Senator Saltonstall and Representative Crumpacker the legislative history is not crystal clear, we think the weight

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Mr. Rogers. So the court then said that that act constituted something leading toward monopoly or contrary to public policy, and for that reason denied relief to the plantiff?

Mr. Rich. That is correct.

Mr. Rogers. Now, as to No. 2, are there any cases where licensed authorized persons performed acts which, if performed without their consent, would constitute contributory infringement of the patents?

Mr. Rich. Well, that is the *Mercoid* type of situation.

Mr. Rogers. Yes.

Mr. Rich. It must, of course, be realized that if we had had a statute like this, the *Mercoid* case might have been tried differently, on a different theory. But it deals with granting licenses to people who would otherwise be contributory infringers, not direct infringers, because they are only making part or less than the whole of the invention.

Mr. Rogers. Well now, do you know of any case where they denied relief to the plaintiff where he had sought to enforce his patents rights against infringement or contributory infringement on this section 3?

Mr. Rich. Do you mean section 2, licensing?

Mr. Rogers. No, section 3 of (d).

Mr. Rich. That is sought to enforce?

Mr. Rogers. Yes.

Mr. Rich. That is the *Stroco Products* v. *Mullenbach* case.

Mr. Rogers. Then the effect of (d) with the (3) in there would be to say to the Supreme Court that it is the sense of this Congress that where you have heretofore denied relief to the plaintiff, you shall henceforth grant him relief if he has only performed one, two, or three of these acts in (d), and that is why the Department of Justice is objecting to it?

Mr. Fugate. Yes, sir.

Mr. Rogers. And it would therefore necessarily follow that by taking (c) and (d) together we are asking the Supreme Court to not follow the line of reasoning of declaring that a man shall be denied his day or damages if he has done any one of these three acts. Isn't that what it amounts to?

Mr. Rich. That he shall not be denied his day or damages merely because he has done one, two, or three, or all of these acts if the contributory infringement referred to in (d) is of a type which falls within the specific terms of (c).

[6556]

of it favors Rohm & Haas' reading of the statute. We are further confirmed in our view of section 271 by observing that the extremely narrow reading favored by defendants, though plausible, does not rest especially well on the wording of the provision.

[11, 12] All the parties seem to agree that subsection (d)(1) means that a patentee may sell unpatented elements of his invention. We add that, because of the explicit limitation of the right to "acts constituting contributory infringement," a term defined in paragraph (c) immediately before, apparently a patentee who is attempting to completely foreclose competitors is safe from a misuse defense only in selling products that are nonstaples, material parts of

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Now, a suggestion has come to me during this discussion which may bring the views of Justice and of the patent bar together. That would be to insert in the third line of paragaph (d) before the last word "by" the word "solely" so that he shall not be deemed guilty of misuse or illegal extension of patent rights solely by reason of his having done one or more of the following.

If he has gone beyond those and done other acts which could be misuse, then the misuse doctrine would be applicable.

Mr. Rogers. But then even with the word "solely" we would still say to the Court that if he had done one of these, he could now be permitted to recover?

Mr. Rich. If he has not misused it otherwise. If it comes within the terms of (c). If he tries to license somebody, for instance, to manufacture a staple article of commerce, to be sold in a patented invention and collect royalties, let us say, for manufacturing of salt tablets to be used in a patented vending machine or dry ice to be used in a patented shipping container, that will be misuse because it doesn't come within the terms of (c).

1951 Hearings at 174-75.



his invention, and capable of no substantial noninfringing use.[24] Subsection (d)(2)

[6557]

additionally allows a patentee to "license" another to do those same sorts of acts — that is, acts that would be contributory infringement (the selling of appropriate nonstaples) if done without permission.[25] As a commentator

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[24] The district court, in concluding that the rights specified in (d) are completely unrelated to the practices described in (c), overlooked the plain wording of the statute. Moreover, the intended incorporation of the limitations in (c) into the conduct allowed in (d) is, we think, clear from the legislative history set out at length in n. 23, *supra*.

The official Revisory Notes to section 271, relied on below, state that paragraph (d) is "ancillary to" paragraphs (b) and (c). But we do not read this linkage of sections (d) and (b), which contains no limitation to nonstaple material parts of the invention, as allowing a patentee to sell staples *and* to sue under (d) to completely foreclose competing sellers.

Since case law does not presently consider a patentee's mere sale of staples used in his invention to be "misuse" (as long as he does not tie use of the invention to purchase of the staple), we view the linkage as allowing such an innocent patentee to sue under (d)(3), without thereby being deemed a misuser, a competing seller of staples who is "actively inducing" infringement. The patentee's relief, however, would not be an injunction forbiddng the defendants' *sale* of staples, since mere sale is not wrongful under either (b) or (c). Appropriate relief might extend to an injunction against continuing to "actively induce" infringement, conduct forbidden by (b).

Reading (d) and (b) together more broadly so as to allow a patentee to tie mere staples to use of the invention would conflict with the clear legislative intent of preserving *Carbice*, while altering the *Mercoid* rule in favor of those who are not marketing their entire invention but are marketing material, nonstaple parts thereof. The broader reading would destroy the careful compromise of the drafters by endangering much more competition than the relatively small amount implicated in the markets for nonstaples uniquely attributable to a patented invention.

[25] This limitation parallels our interpretation in n. 24 *supra* and accords with the statements by Mr. Rich quoted in n. 23 that

has noticed, the rights to license another to sell such unpatented items would be rendered worthless if the only right conferred by (d)(1) were the right to sell the item as one competitor among many freely competing. Who would take a license, and on what terms, if anyone were free to compete, and the patentee had no legitimate right to exclude others from the market?[26] When one adds to this the realization that in (d)(3) Congress has also given the patentee the cumulative right to enforce its patent against those doing without permission — without "license" — what the patentee itself is doing, the impression becomes almost overpowering that Congress *did* clearly provide for a patentee's right to exclude others and reserve to itself, if it chooses, the right to sell nonstaples used substantially only in its invention.[27]

[6558]

The Supreme Court cases discussing section 271 are few and, as the able district court below recognized, none of them controls. Of the cases decided in this area since 1952,

an attempt by a patentee to license a competitor to sell mere staples for use in the invention would survive as misuse and thus bar a suit to enforce the patent.

[26] The statute permits the patentee to "license" or "authorize others to do the same acts which he himself is permitted to do by subsection (1). If the only act permitted by subsection (1) is the sale of components in competition with unlicensed suppliers, the "license" language is meaningless. Of what possible use is a "license" to compete when anyone can compete without a license? In order to give significance to the word "license," it must be assumed that the right of the patentee being licensed is somehow exclusive — that another supplier could not sell the component without the patentee's permission. If this is the case, both subsections must allow the patentee an exclusive right to sell components, precisely the type monopoly struck down in *Mercoid.*
*Note, Combination Patents: The Right to Prohibit the Sales of Replacement Parts,* 70 Yale L.J. 649, 656 (161).

[27] The district court read (d)(2) as giving Rohm & Haas "the right to authorize a third party by virtue of an implied license to resell the propanil for use in the patented method." This seems to refer to the right of one who buys propanil from Rohm & Haas to resell it to someone else. But if so, (d)(2) simply restates what has always been the right of *any* purchaser of an item, patented or not. Once an item has been conveyed, it passes beyond the patentee's monopoly power and the buyer can use it or sell it as he wishes. *See, e. g., Adams* v. *Burke,* 84 U.S. (17 Wall.) 453, 21 L.Ed. 700 (1873), and, more recently, *Aro Manufacturing Co.* v. *Convertibe Top Replacement Co.,* 377 U.S. 476, 497, 84 S.Ct. 1526, 12 L.Ed.2d 457 (1964). Surely no statute was required to save a license that operates as a *matter of law* from being deemed patent misuse.

Defendants would have us impose a *requirement* that a patentee like Rohm & Haas offer erstwhile competitors licenses, available to all comers at a reasonable royalty rate. *Then,* they say, it would be permissible for Rohm & Haas to sell propanil under (d)(1) in competition with its licensees and under (d)(3) to sue all competitors who refuse to accept a license and pay royalties. And along similar lines, the district court deemed Rohm & Haas' marketing program as even greater misuse than that accomplished by Mid-Continent in *Mercoid.* Mid-Continent offered licenses and sued only the manufacturer Mercoid, which refused to take a license, whereas Rohm & Haas has *refused* to license competitors.

This line of reasoning certainly states an attractive possibility. It allows a patentee economically to market his invention, yet preserves competition in propanil, which is, after all, not patented. As attractive as this compromise is, however, we cannot discern it in the statute. On the contrary, the statute explicitly allows a patentee to do "one or more of the following"— and merely coupling (d)(1) with (d)(3) allows the result we ratify here. Opponents of the bill saw this clearly. In the 1949 Hearings, Mr. John C. Stedman, Chief of the Justice Department's Legislation & Clearance Section, Antitrust Division, stated:

> [(d)] sounds reasonable and innocuous enough. Its effect, however, is to permit a patentee to sell unpatented parts for a device or composition covered by his patent or sell unpatented materials or apparatus for us with a process patented to him, and at the same time prohibit his competitors, by suit for infringement, from selling such unpatented materials in competition with him.



most are either silent regarding the effect of section 271 on *Mercoid,* probably because they involve staple items, or else they simply cite with approval *Mercoid's* various summations of the misuse doctrine. And indeed, apart from the

very narrow exception as to material nonstaples immunized by section 271, *Mercoid* remains an excellent summation of misuse considerations. Nevertheless, we cannot overlook the importance to our issue of two cases decided closely after section 271 was enacted, in which several members of the Court expressed the view that section 271 merely codifies patent law, including *Mercoid* and its result, and made no changes in the law such as those contended for by Rohm & Haas.

In *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 81 S.Ct. 599, 5 L.Ed.2d 592 (1961) (*Aro I*), and *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 84 S.Ct. 1526, 12 L.Ed.2d 457 (1964) (*Aro II*), the Court faced actions for contributory infringement based on a claim that defendant's cloth tops for convertibles aided an infringing reconstitution of the patented mechanical top, rather than a noninfringing repair of the item. In *Aro I*, in the course of rejecting the claim, the majority cited *Mercoid* for the principle that the separate unpatented elements of a combination patent are not protected by the patent monopoly. The technical ground of the opinion, however, seemed to be the determination that the purchaser of an auto with a convertible top gains, along with the right to use the top, the right to replace its worn out parts. Unless his actions are so extensive as to become a prohibited reconstruction, his action in replacing, for example, fabric portions of the top, does not constitute an

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This is exactly the type of practice which the courts have unequivocally and consistently condemned, both under the patent laws and under the antitrust laws.

1949 Hearings at 52.

We decline to rule that a patentee *must* license under (d)(2) in order to use his rights under (d)(1) and (d)(3). A general licensing obligation is foreign to a statutory scheme in which patentees are free to suppress entirely or reserve for themselves their inventions.



infringing action. Without someone's committing of a *direct* infringement, there was of course no predicate for contributory infringement: there was no tort being committed in wich the seller of replacement tops could participate. Justice Harlan, joined by two others, dissented, arguing that the majority's reliance on *Mercoid* destroyed the significance of cases such as *Leeds & Catlin* that gave relief against contributory infringement on principles approved by Congress in section 271.

In *Aro II* Justice Brennan wrote for a different majority. In *Aro I* he had

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agreed with Justice Harlan's view of section 271 but had concurred with the majority on the simple ground that without a direct infringement no contributory liability was possible. The new majority now distinguished *Aro I* as involving only car buyers from manufacturers who had been *licensed* to make the patented convertible top in auto construction. In *Aro II*, by contrast, the replacement tops were also designed to renew the covering on cars manufactured by a company that had *refused* a patent license. The Court held in part that because this unlicensed manufacturer had no right to construct or convey the invention, buyers of these cars received no right even to *use* the invention, much less the right to repair it. Because the Court deemed each such repair by those buyers an independent direct infringement, the knowing seller of replacement tops was open to liability as a contributory infringer.

Justice Black, who had specially concurred in *Aro I* in part to emphasize his view that section 271 merely codified the *Mercoid* result, spoke for himself and three other dissenters. The real basis for *Aro I*, he argued, was not merely the lack of a direct infringement but also the recognition

grounded in the misuse cases that the scope of a patent can never properly extend to unpatented elements. He vehemently disapproved the majority's result, charging that the pattentee was being allowed to expand its monopoly, an unconstitutional result not within congressional patent clause power.[28]

Had this been all there was to the *Aro II* case, it would have been strong support for our reading of section 271. Unfortunately, however. the extraordinarily complex opinions, on balance, probably cut against our view.[29] Because the poli-

**[6560]**

cies involved in our factual situation — a primary use market — differ so from the policies involved in protecting competition in a market for unpatented elements to be used as mere replacement parts at the hands of one with a legitimate right to tinker with a patented device by reason

[28] The majority responded to this point by simply stating that they had "no doubt that § 271(c) as so construed and applied, within the limitations set forth in the succeeding portions of this opinion, is constitutional." 377 U.S. at 492 n.10, 84 S.Ct. at 1535 n. 10.

Defendants herein also challenge the constitutionality of the interpretation of the statute we have adopted. We believe, however, that it is well within congressional power to allow certain patentees incidental market power over items not technically withn the patent grant when this is necessary to effectively market and protect a patented invention.

[29] For instance, the majority left open the possibility that the patentee and its licensee might have been barred by the patent misuse doctrine had the issue been properly preserved by the defendant. 377 U.S. at 491-92, including n.9 84 S.Ct. 1526.

Moreover, the majority spoke of the congressional purpose in enacting section 271 as the desire to "reinstat[e] the doctrine of contributory infringement as it had been developed by decisions prior to *Mercoid,* and [to] overul[e] any blanket invalidation of the doctrine that could be found in the *Mercoid* opinions." *Id.* Any correlative effect upon the misuse doctrine was not alluded to.



of his absolute ownership thereof, we consider the *Aro* opinions as not controlling the result of our case.[30] In line with an earlier panel that concluded in dictum that section 271 "was intended to work some changes" in the concepts of patent misuse and that section 271 was "a congressional disapproval and legislative modification of the court-fashioned *Mercoid* principles," we do not feel that our

At another point the Court cited *Carbice* and *Mercoid* for the general proposition that a patentee cannot impose conditions concerning the unpatented supplies, ancillary materials or components with which the use is to be effected. 377 U.S. at 497, 84 S.Ct. 1526. The context of these remarks is quite different from the situation before us, since the attempt in *Aro* to restrict the sources of supplies for future repairs violated the long-standing patent principle that when a patentee has *sold* a patented article he has granted the purchaser an implied license to use, and he cannot thereafter restict that use. "So far as the use of it was concerned, the patentee had received his consideration, and it was no longer within the monopoly of the patent." *Adams* v. *Burke,* 84 U.S. (17 Wall) 453, 456, 21 L.Ed. 700 (1873). This principle is not involved in our situation. Nevertheless, there remains a suggestion that perhaps the majority would have considered any conditoning or tying as misuse, still prohibited irrespective of section 271(d).

And finally, though the majority upheld the plaintiff's right to recover damages from the contributory infringer, it practically instructed the district court not to award more than nominal damages. In addition to a reluctance to let a patentee bypass a ready target — the direct infringer auto manufacturer — to reach the contributory infringer who competes in the submarket, the policies behind this measure of damages were firmly based on misuse principles:

> [A different measure of damages] would enable the patentee to derive a profit not merely on unpatented *rather than* patented goods — an achievement proscribed by the *Motion Picture Patents* and *Mercoid Cases.* supra — but on unpatented *and* patented goods.

377 U.S. at 510, 84 S.Ct. at 1544 (original emphasis). The Court also stated that such a result "would be at war with virtually every policy consideration in this area of the law." *Id.*

[30] In addition to the *Aro* cases, the defendants cite *Deepsouth Packing Co.* v. *Laitram Corp.,* 406 U.S. 516, 92 S.Ct. 1700, 32 L.Ed.2d

independent consideration of section 271 is precluded by the "varying views" expressed by the justices in *Aro. Fromberg Inc.* v. *Thornhill,* 315 F.2d 407, 414 n.18 (5th Cir. 1963).

With this, we have about exhausted our present capacity for rational thinking on patent matters. As we noted during the oral argument of this case, patent cases are the only cases argued by professionals and decided by amateurs. We take some comfort in noting that any shortcomings of our effort can safely be laid to the difficulty of the subject matter. Mr. Giles S. Rich observed on several occasions during the hearings on section 271 that patent law is "the metaphysics" of the law and that contributory infringement/patent misuse issues are the metaphysics of patent law. In remanding this matter for further proceedings consistent with the above views, we gratefully leave untouched a correlative issue not technically before us: whether our analysis, coupled with the statutory command that patentees doing activities mentioned in (d) cannot be "deemed guilty of misuse or illegal extension of the patent right," affects the antitrust counterclaim filed herein by the defendants.

REVERSED and REMANDED.

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273 (1972), *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation,* 402 U.S. 313, 91 S.Ct. 1434, 28 L.Ed.2d 788 (1971), and *Zenith Radio Corp.* v. *Hazeltine Research, Inc.,* 395 U.S. 100, 89 S.Ct. 1562, 23 L.Ed.2d 129 (1969), as evidence of the continued validity of *Mercoid.* It is true that these cases contain ringing endorsements of patent misuse theory concerning the proper scope of a patent. However, we decline to rely on their general statements, made in context far afield from a patentee's effort economically to market his invention by sale of its unique, nonstaple elements, to reach a result contrary to the one we see so clearly in the statutory words and its legislative history.



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IN THE
UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

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CIVIL ACTION NO. 74-H-790

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ROHM AND HAAS CO.,

*Plaintiff,*

v.

DAWSON CHEMICAL CO.;
CRYSTAL MANUFACTURING CORP.;
CRYSTAL CHEMICAL CO.;
and HELENA CHEMICAL CO.;

*Defendants.*

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James C. Winters, Crain, Winters, Deaton, James & Briggs, Houston, Texas for plaintiff.

John L. McConn Jr., Butler, Binion, Rice, Cook & Knapp, Houston, Texas, for defendants Dawson Chemical Co., Crystal Manufacturing Corp. and Crystal Chemical Co.

B. R. Pravel, Pravel and Wilson, Houston, Texas, for defendant Helena Chemical Co.

## MEMORANDUM AND OPINION

### I. INTRODUCTION

In this suit for patent infringement of a combination patent plaintiff Rohm and Haas Company, as patent owner, alleges that defendant corporations have actively induced and otherwise contributed to the direct infringement of a

method or combination patient implemented in controlling weeds in rice crops. Defendants challenge plaintiff's right to relief contending that regardless of whether they have committed acts of infringement, Rohm and Haas is not entitled to relief because it has committed patent misuse in exploiting its patent.

Defendants Dawson Chemical Company, Crystal Manufacturing Corporation and Crystal Chemical Company have pursued the

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defense of this action independently from defendant Helena Chemical Company. The Court is thus confronted with two sets of motions and briefs on every contention raised by the parties. For purposes of this interlocutory order, unless otherwise noted, the Court has concluded that the relative positions of the four defendants coincide.

Three motions presently are pending before this Court. Specifically, defendants move for dismissal of plaintiff's complaint on the ground that the undisputed facts in this cause establish patent misuse as a matter of law, since this defense acts as a complete bar to plaintiff's action. Plaintiff moves that the Court enter a partial summary judgment ruling that its conduct does not constitute patent misuse under 35 U.S.C. § 271(d). The parties submit, and the Court agrees, that sufficient undisputed facts exist to permit an interlocutory ruling as to whether plaintiff's exploitation of its combination patent constitutes patent misuse.

The Court concludes after carefully analyzing the undisputed facts, the briefs submitted by the parties and the wealth of authority pertinent to this perplexing interface between the patent laws and the public policy notions undergirding our antitrust laws, that Plaintiff's present licensing policy, if sanctioned by this Court, would consti-



tute patent misuse. However, for reasons set out in Section V.B., *infra,* the Court has determined that the defendants' motions for partial summary judgment should be granted at this time only insofar as they seek an adjudication of the legality of plaintiff's monopolization of the sale of propanil, but should be denied to the extent that they seek dismissal of plaintiff's complaint. With the exception of the limitations set out in Section V.C., *infra,* defendants' motions for protective orders are denied at this time.

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## II. MATERIAL FACTS

The following matters in this suit are not controverted:

1. Jurisdiction and venue are proper in this Court as to all parties and subject matter. 28 U.S.C. §§ 1338(a); 1400(b) and 35 U.S.C. § 271.

2. On June 11, 1974, United States Patent 3,816,092 issued to Harold F. Wilson and Dougal H. McRae (hereafter the "Wilson patent"). Rohm and Haas is and has been the sole owner of the Wilson patent since its issuance. The Wilson patent contains the following claims which are pertinent to this action:

> a. A method for selectively inhibiting growth of undesirable plants in an area containing growing undesirable plants in an established crop, which comprises applying to said area, 3, 4-dichloropropionanilide at a rate of application which inhibits growth of said undesirable plants and which does not adversely affect the growth of said established crop.
>
> b. The method according to claim 1 wherein the 3, 4-dichloropropionanilide is applied in a composition comprising 3, 4-dichloropropionanilide and an inert diluent therefor at a rate of between 0.5 and 6 pounds of 3, 4-dichloropropionanilide per acre.

c. The method according to claim 1 wherein most of the undesirable plants are destroyed by 3, 4-dichloropropionanilide applied thereto without substantial adverse effect on crop growing therewith.

d. The method according to claim 2 wherein the established crop is monocotyledonous.

e. The method according to claim 2 wherein the undesirable plants include monocotyledonous plants.

f. The method according to claim 2 wherein the undesirable plants include dicotyledenous plants.

g. The method according to claim 2 wherein the established crop is a grain crop.

h. The method according to claim 2 wherein the undesirable plants include barnyard grass.

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i. A method of selectivity inhibiting the growth of growing, tender, undesirable annual plants which are susceptible to 3, 4-dichloropropionanilide, said undesirable plants growing in an area contaning an established monocotyledonous crop which is resistant to 3, 4-dichloropropionanilide, which comprises applying to said undesirable plants a composition comprising 3, 4-dichloropropionanilide and an inert carrier therefor at a rate of application which inhibits growth of said undesirable plants and which does not substantially affect the growth of said established monocotyledonous crop.

3. Both before and after June 11, 1974, the issue date of the Wilson patent, defendants have sold formulations containing 3, 4-dichloropropionanilide, which is also known as "propanil". After they were served with the Complaint in this suit, such sales were with knowledge of the Wilson patent. Both before and after June 11, 1974, purchasers of defendants' propanil formulations have carried out in this country the method described on attached labels. Defen-



dants knew when they sold their propanil formulations that such formulations would be used by purchasers in carrying out the methods described on those labels. Defendants are continuing and intend to continue the making, selling and offering of propanil formulations in this country with the same recommendations and instructions. Defendants, however, contend that the Wilson patent is invalid and unenforceable, and that defendants are not liable as infringers or contributory infringers.

4. Based upon the representations of defendants that they have recommended the use of their propanil products only for controlling weeds in rice crops, plaintiff does not charge infringement of either claim 4, 5 or 7 of the Wilson patent.

5. Plaintiff makes and sells the chemical compound, 3, 4-dichloropropionanilide, known as propanil, in various

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formulations in this country with instructions to use the propanil in carrying out the steps of the Wilson patent. Purchasers of the plaintiff's propanil formulations in this country are impliedly licensed by operation of law to use the method of the Wilson patent. Each of defendants has requested a license under the Wilson patent. In reply to these requests, plaintiff maintains that it has no present intention of granting a license under the Wilson patent to any of the defendants, or to any propanil users except purchasers of propanil from plaintiff, who enjoy implied licenses by operation of law. To date, plaintiff has not granted a written license to anyone under the Wilson patent, and it does not presently intend to grant such a license. Plaintiff has never received any payment other than the purchase price from its propanil customers who employ the Wilson patent method.

6. In a suit by Monsanto Company against plaintiff for patent infringement, Monsanto's Patent 3,382,280 claiming the chemical compound, 3, 4-dichloropropionanilide *per se,* was held invalid. Propanil and the various formulations of it presently sold by plaintiff are therefore unpatented chemicals.

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The Court is aware of no opinion involving conduct which was factually congruent to the stipulated conduct of the parties to this action. Resolution of the question of patent misuse in this dispute is further complicated by broad language in the seminal opinion of *Mercoid Corp.* v. *Mid-Continent Investment Co.,* 320 U.S. 661 (1944), which went beyond the facts confronting the Supreme Court in that opinion and threatened the continued vitality of the tort of contributory infringement in any context. In 1952 Congress enacted a new Patent Act codifying the three torts of patent infringement.

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35 U.S.C. § 217(a-c) (1952). Paragraph (d) of § 271 sets out certain acts of a patent owner which are not barred by the doctrine of patent misuse.

None of the parties dispute the general rule that a patent cannot be exploited to monopolize unpatented articles. Plaintiff argues, however, that a narrow exception to this rule lies whenever the unpatented article is a nonstaple component possessing no substantial, noninfringing uses. Plaintiff supports this contention on four grounds. First, it argues that Congress, in enacting § 271(d), intended to overrule completely the Supreme Court's opinion in *Mercoid, supra.* Second, it argues that the clear language used in § 271(d) expressly sanctions the conduct of the plaintiff in this action. Third, it contends that the



Supreme Court in *Aro Mfg. Co.* v. *Convertible Top Replacement Co.,* 377 U.S. 476 (1964), expressly concluded that § 271(c-d) overruled the result in *Mercoid.* Finally, plaintiff maintains that the only two opinions squarely on point which were decided subsequent to the enactment of § 271 both sanctioned extensions of patented combinations to unpatented, nonstaple components.

In addressing these contentions the Court first examines the doctrine of patent misuse as it was applied prior to the Supreme Court's decision in *Mercoid, supra.* Section III.A.1, *infra.* The Court next considers the facts in *Mercoid* as they compare to the facts *sub judice,* as well as the broad language in that opinion which has spawned considerable controversy. Section III.A.2-4, *infra.* In Section III.B., *infra,* the Court examines the language and the legislative history of § 271. Finally, theCourt examines *Mercoid*-type misuse as it has been construed by the courts in the aftermath of § 271. Section III.C., *infra.*

## III. THE PATENT MISUSE DOCTRINE

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Defendants support their contention that plaintiff has misused its method patent in seeking to monopolize sales of unpatented components by relying primarily on a line of Supreme Court decisions culminating with *Mercoid Corp.* v. *Mid-Continent Investment Co.,* 320 U.S. 661 (1944), and *Mercoid Corp.* v. *Honeywell Co.,* 320 U.S. 680 (1944) (hereinafter *Mercoid I and Mercoid II,* respectively). In arriving at the conclusion reached in this interlocutory ruling, the Court has found it necessary to study carefully this line of decisions.

## A. Patent Misuse Prior to the Enactment of § 271(d)

### *1. Supreme Court Decisions Antedating Mercoid*

The Supreme Court, in *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U. S. 520 (1917), relying for the first time on a rationale which was subsequently to form the basis of the misuse defense, denied relief to a patentee who tried to enforce a tying arrangement which required the purchaser of a patented motion picture machine to limit use of the machine to unpatented film purchased from the patentee. Without considering the scope of the defendant's infringement, the Court denied relief wholly on the basis of the inequitable conduct of the patentee.

In 1931, and again without ever reaching the questions of patent validity or infringement, the Supreme Court applied the patent misuse doctrine to bar a suit for contributory infringement filed by a patentee which had explicitly required that users purchase from its exclusive licensee dry ice used in its combination patent. *Carbice Corp. of America* v. *American Patents Dev. Corp.*, 283 U.S. 27 (1931). In his opinion for the unanimous Court Mr. Justice Brandeis stated:

> "[The patent owner] has no right to be free from competition in the sale of [refrigerant]. Control over the supply of
>
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>
> such unpatented material is beyond the scope of patentee's monopoly; and this limitation, inherent in the patent grant is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used." 283 U.S. 27, 33.

In *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458 (1938), the Court extended the patent misuse doctrine to apply in a situation wherein the owner of a process patent limited



the right to use the process to implied licensees who purchased unpatented bituminous emulsion from the patentee; no expressed licenses were granted. The Court characterized this attempt to monopolize the sale of an unpatented component as an "unauthorized extension of the [patent] monopoly." 302 U.S. at 463, which constituted misuse "whether the patent be for a machine, a product, or a process." *Id.*

In *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U.S. 488 (1941), the Supreme Court upheld the trial court's action in granting summary judgement dismissing the complaint, without ruling on the issues of validity and infringement, holding that the patent owner's attempt to suppress competition in the marketing of unpatented salt tablets, specially made to fit the patented dispenser, was a misuse of the patent.

In *B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495 (1941), decided the same day as *Morton Salt Co., supra*, the rule of *Carbice* and *Leitch* was applied to bar relief from indirect infringement by a defendant who sold unpatented component products specially made for use in a patented process for reinforcing shoe insoles; the component had no other substantial commercial use. The patentee sought to ovoid *Carbice* and *Leitch* by arguing that the patent misuse doctrine should be limited to situations in which the components supplied by the alleged contributory infringer were staple articles of commerce. It argued that dry ice and bituminous coal were staple articles. The First Circuit Court of Appeals expressly

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considered and rejected this argument, 177 F.2d 829, at 834, 835, holding that "[t]here is every indication that the *Carbice* and *Leitch* cases apply to specially designed arti-

cles". *Id.* In a unanimous opinion the Supreme Court affirmed; without discussing the staple versus non-staple component question, the Court simply held that "in view of petitioner's use of the patent as the means of establishing a limited monopoly in its unpatented materials, . . . the maintenance of this suit to restrain any form of infringement is contrary to public policy . . ." 314 U.S. at 498. It is not clear whether the staple versus non-staple distinction was ever raised before the Supreme Court, or whether it was considered and rejected as legally insufficient to justify extending the patented process to monopolize the supply of unpatented components.

Although implicitly sanctioned in *B. B. Chemical, supra,* patent misuse in the context of non-staple and unpatented components of a patented combination did not enjoy the expressed imprimatur of the Supreme Court until 1944, when it decided *Mercoid I and Mercoid II, supra.*

2. *The Mercoid Decisions*

The patentee in *Mercoid I* held a combination patent for a furnace stoker system; its exclusive licensee manufactured one essential component of the unit, a stoker switch, and the right to assemble and install the patented system was conditioned upon the purchase of this stoker switch. The defendant, Mercoid Corporation, also manufactured these stoker switches which were exclusively designed for and usable in the patentee's stoker system. The defendant's customers were guilty of direct infringement whenever they installed the stoker system, and the Supreme Court assumed for purposes of its opinion that the defendant's stoker switch sales constituted contributory

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infringement. Relief was denied, however, on the ground that the patentee's licensing scheme constituted patent



misuse. The facts in *Mercoid II* were similar to those in *Mercoid I* except for the absence of any policy of granting express licenses exclusively to purchasers of the unpatented stoker switch. The Supreme Court held that the effect was the same, however, since restrictions on implied licenses constituted misuse, barring equitable relief.

Although the doctrine of patent misuse was firmly embedded in the jurisprudence of patent law well before the Supreme Court was confronted with the issues presented by the *Mercoid* cases, this equitable variation of "unclean hands" had never before been analyzed in a context wherein the Court focused on the fact that the "unpatented material or device [was] itself an integral part of the structure embodying the patent," 320 U.S. at 665, and "no use for the accused devices other than in the . . . combination patent" existed. *Id.* at 664. The Supreme Court concluded that "no difference in principle" existed between misusing a patent to monopolize materials employed or consumed in a machine or process, (such as dry ice, bituminous coal, salt tablets, or shoe insole materials), and misusing it to monopolize the supply of integral, albeit unpatented components. *Id.*

3. *Mercoid Contrasted with the Facts in this Action*

Two significant distinctions should be noted between the parties' conduct in *Mercoid* and the conduct at issue in the present case. First, the patent owner in *Mercoid* initially "granted and offered licenses to companies that would take them, including *Mercoid,* who refused". *Mid-Continent Inv. Co.* v. *Mercoid Corp.,* 133 F.2d 803, 810 (7th Cir. 1942). *See also Mercoid II, supra,* 320 U.S. at 683. Parties in the present case have stipulated that defendants

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have requested licenses under the Wilson patent, and plaintiff has unequivocally stated that it has no intention of

granting such licenses.[1] For this reason the patent misuse found in *Mercoid* applies *a fortiori* in the present context.

The second distinction lies in the conduct of the alleged infringers. The defendant in *Mercoid* was charged with selling stoker switches which contributed to the direct infringement of users of the plaintiff's patented combination. The defendants in this action are charged not only with contributing to direct infringement by its customers by supplying nonstaple propanil; they are also charged with the specific intent to induce direct infringement by labelling containers of propanil and otherwise actively encouraging others to infringe the Wilson patent. Although these two separate torts of indirect infringement are in many instances overlapping, *see* C. Miller, *Some Views on the Law of Patent Infringement by Inducement*, 53 J. PAT. OFF. SOC'Y 86, 98 (1971), the specific intent to cause direct infringement which is required in order to establish inducement is not a necessary element of contributory infringement. Likewise, the sale of a nonstaple article having no known noninfringing uses is not a necessary element of the tort of inducement. *Id.* Thus, the total infringing effect if all of the elements of both of these torts are established is potentially greater in the present case than it was in *Mercoid*. Although defendants' conduct does not illume the question of whether plaintiff's conduct constitutes patent misuse, the Court has concluded, Section V.B., that the defendants' conduct might well affect the ultimate relief granted in this case.

4. *The Dictum in Mercoid I*

The *Mercoid* decisions severely restricted the well-established doctrine of contributory infringement. To the



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extent that the Court had not previously acknowledged expressly that the principle in *Carbice* applied in the context of a non-staple component possessing no known non-infringing use, the defense of patent misuse reached a new milestone in the *Mercoid* decisions. Beyond that, however, the Supreme Court in sweeping dictum also cast a pale on the doctrine of contributory infringement in any context, regardless of whether the patentee's conduct constituted patent misuse.

> "The result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider." 320 U.S. at 669.

This Court has concluded that when Congress enacted the Patent Act of 1952, the inclusion of § 271 was intended to mollify the potential effect that this dictum could have on the patent owner's ability to protect his property against contributory infringers in any context, whether or not he was seeking to monopolize the sale of unpatented articles. The interpretation simply restores the remedy of contributory infringement as it was applied prior to *Mercoid*.

**B. 35 U.S.C. § 271**

Section 271[2] represents the first congressional effort to codify the parameters of the common law doctrines of patent infringement. As stated before, it is generally accepted that § 271 was prompted by the *Mercoid* decisions.[3] However, it is somewhat more difficult to determine whether the substantive holding of *Mercoid* — that a combination patent may not be enforced against sellers of unpatented non-staple components possessing no known non-infringing uses — or whether the broad dictum in that decision precipitated the enactment

of § 271[4]. Based on a consideration of (1) the language of this section, (2) its legislative history, (3) its application by the courts, and (4) the post-1952 vitality of *Mercoid* in numerous opinions, this Court has concluded that the facts addressed by the Supreme Court in *Mercoid* would not mandate a different conclusion under § 271. This Court is further of the opinion that the patentee *sub judice,* by seeking to monopolize the sale of an unpatented component of its protected method without even attempting to license other manufacturers, is exploiting its patent in a manner which is less legitimate than the exploitation condemned by the Supreme Court in *Mercoid.* Section III. A. 3., *supra.*

Plaintiff submits that until substantial uses for propanil are discovered other than in plaintiff's patented method, plaintiff is entitled to monopolize the supply of this unpatented chemical compound. Plaintiff further contends that it has no obligation to alter its present "no licensing" policy until and unless such noninfringing uses for propanil are discovered. Although defendants' direct or indirect infringement of plaintiff's patent presents no threshold inquiry in resolving the patent misuse issue, *see Morton Salt Co.* v. *G. S. Suppiger Co., supra,* 314 U.S. at 490, a brief consideration of the interrelation of the four paragraphs of § 271 is nevertheless necessitated by the plaintiff's contention.

Paragraph (a) of § 271 defines "direct infringement" as the using, making or selling of a patented invention. Paragraphs (b) and (c) codify two doctrines of indirect infringement; active inducement of direct infringement, and contributory infringement. Paragraph (d) sets out



three acts the commission of any one or more of which by a patentee seeking to protect and exploit his patent cannot be relied upon by an infringer as the sole basis for its defense of patent misuse.

1. *Emergence of the Doctrines of Indirect Infringement Embodied in Paragraphs (b) and (c) of 35 U.S.C. § 271*

The Constitution provides for Congress to promote "the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8. In accordance with this provision of the Constitution, Congress enacted the first patent act in 1790 which established the exclusive right of inventors to exploit their discovery. Patent Act of April 10, 1790, ch. 7, 1 Stat. 109. *See also* 35 U.S.C. § 154 (1952).

An early principle of the law of combination patents established that direct infringement would not lie unless the combination in its entirety was used. *See Prouty* v. *Draper Ruggles & Co.,* 41 U.S. 335 (16 Pet.) (1841). It soon became apparent, however, that the doctrine of direct infringement was inadequate to protect effectively the patentee's invention.[5] Two distinct doctrines of indirect infringement therefore were developed to protect the inventor.

The doctrine of contributory infringement as it presently is codified in § 271(c) was recognized in the early case of *Wallace* v. *Holmes,* 29 F. Cas. 74 (No. 17,100) (C.C. Conn. 1871).[6] In this case, the defendant sold burners which had no known use except in the patentee's invention. The court concluded that the act of selling these burners constituted a "virtual" infringement of the protected patent.

In *Bowker* v. *Dows,* 3 F. Cas. 1070 (No. 1734) (C. C. Mass. 1878), the court found liability for infringement in a context foreshadowing the indirect infringement doctrine of inducement. The defendant sold an unpatented component of the patentee's patented chemical compound. Unlike the burners in *Wallace, supra,* this chemical component had various commercial uses; however, the defendant advertised that the compound could be used in the particular manner claimed in the plaintiff's patent. The Court concluded that the defendant's act of encouraging infringement rendered him a joint tortfeasor.

Section 271(b) provides that "[w]hoever actively induces infringement of a patent shall be liable as an infringer". It is quite clear from the language of this provision that the board tort of infringement by inducement is not restricted in any way to unpatented component articles v hich lack any substantial non-infringing use. Liability for contributory infringement under section 271(c), on the other hand, is far more restrictive:

> "Whoever sells a component of a patented machine, manufacture combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially adapted for use in an infringement of such patent *and not a staple article or commodity of commerce suitable for substantial noninfringing use,* shall be liable as a contributory infringer." (Emphasis added)

Paragraphs (b) and (c) of § 271 codify the type of conduct which will give rise to a cause of action for indirect infringement of a patent. Neither of these paragraphs delineates or refers to conduct of a patentee that constitutes





patent misuse, which is the essence of the defendants' motion for partial summary judgment. Paragraph (d) is the only paragraph of § 271 which addresses the conduct of a patentee.[7]

2. *Patent Misuse Under § 271(d) of 35 U.S.C.*

Section 271(d) provides that:

> "[N]o patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement."

The plaintiff takes the position that the language of this provision expressly sanctions its licensing policy.

The Court notes three aspects of this provision which are immediately apparent before turning to legisative history or judicial construction. First, presuming actionable infringement, § 271(d) focuses solely on the conduct of the patent owner, and not the alleged infringer. Second, § 271(d) does not define conduct which equates to patent misuse; this paragraph simply sets out certain conduct which does *not* constitute patent misuse. Finally, § 271(d) does not limit or condition the conduct it describes on the staple or nonstaple nature of component articles of a combination patent. The only reference in § 271 to the staple or nonstaple nature of component articles can be found in

paragraph (c), which focuses solely on conduct of an infringer that gives rise to an action for contributory infringement.

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The Revisory Notes to § 271 state that paragraph (d) is ancillary to paragraphs (b) and (c). Provided that the patent owner successfully establishes that the defendant is guilty of either actively inducing or contributing to infringement, "[he] is not deemed to have misused his patent *solely* by reason of doing anything authorized by the section." *Id.* No combination of one or more of the three patent owner acts set out in § 271(d) can form the sole basis for a finding of patent misuse.

3. *Legislative History*

The intent of Congress with regard to the effect that § 271 should have on the result in the *Mercoid* decisions has been the subject of numerous commentaries.[8] During the Senate debate, just before the bill was passed, Senator Saltonstall asked on the floor, "Does the bill change the law in any way or only codify the present patent laws?" Senator McCarran, Chairman of the Judiciary Committee which had been in charge of the bill for the Senate, responded, "It condifies the present patent laws." 98 Cong. Rec. 9323 (July 4, 1952). To the extent that this exchange represents a knowledgeable consideration of the substance of § 271, it would support the conclusion that the only purpose of this section was to prevent the total emasculation of the law of contributory infringement threatened by the dictum in *Mercoid.* This otherwise innocuous exchange bears repetition in this ruling not because of the insight that it represents or reveals, but rather, because this colloquy between Senators has been quoted by the Supreme Court on at least two separate occasions.[9]



A statement made by Mr. Giles S. Rich, the chief draftsman of the provisions on contributory infringement in § 271, was somewhat more reflective on the scope of patent

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misuse contemplated or intended by Congress:

> "Mr. Rich. . . .
>
> "Other decisions following *Mercoid* have made it quite clear that least some courts are goint to say that *any effort whatever* to enforce a patent against a contributory infringer is in itself misuse. . . . Therefore, we have always felt — we who study this subject particularly — that to put any measure of contributory infringement into the law, you must, *to that extent and to that extent only,* specifically make exceptions to the misuse doctrine, and that is the purpose of paragraph (d)."
> (Emphasis added)

*Hearings before the subcommittee of House Judiciary Committee on H. R. 3760,* 82d Cong. 1st Sess. 161-162 (1951), *cited in Aro Mfg. Co.* v. *Convertible Top Co.,* 365 U.S. 336, 349, *note* 4 (1961) (Black, J. concurring) (*Aro I*).[10] "To that extent and to that extent only." this Court would concur that any dictum in *Mercoid* which can be construed to condemn as misuse "any effort whatever to enforce a patent against a contributory infringer" has been preempted by § 271(d). Section 271 assures the viability of contributory infringement actions, but it does not compel the overruling of the result in *Mercoid.*

4. *Conduct of Rohm and Haas Perceived Through the Lens of Section 271 (d)*

As noted earlier, in enacting § 271(d), Congress, rather than attempting to define the parameters of the defense of misuse, sought instead to delineate three exceptions to this doctrine. It is not disputed that the first exception set out in § 271(d)(1) sanctions plaintiff's right to sell propanil, an act which this Court assumes for purposes of this ruling, would constitute contributory infringement if performed by another without plaintiff's consent. This act in and of itself therefore cannot constitute patent misuse, by statutory definition. Nor is it disputed that plaintiff,

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under § 271(d)(2), has the right to authorize a third party by virtue of an implied license to resell the propanil for use in plaintiff's patented method.

Finally, it is clear that § 271(d)(3) eliminates the fear created by *Mercoid,* that the mere filing of a law suit alleging indirect infringement in and of itself constitutes misuse. *See* Note, 66 HARV. L. REV. 909, 917 (1953). *Cf. W. L. Gore & Assoc., Inc.* v. *Carlisle Corp.,* 529 F.2d 614 (3d Cir. 1976). It is plain from the language of § 271(d) that no "one or more" of the three foregoing acts will give rise to the defense of patent misuse. Defendants argue, however, that plaintiff has gone beyond the sum of the acts rendered permissible by § 271(d). They further maintain that while § 271(d) permits plaintiff to sell the unpatented propanil, the act does not permit plaintiff to monopolize such sales.

Defendants also maintain that they are and have at all times been willing to pay royalties to plaintiff for licenses to sell propanil for use in plaintiff's patented method. It is plaintiff's refusal to license which defendants maintain is the act not sanctioned by any of the exceptions to the



misuse doctrine set out in § 271(d). Defendants submit that § 271(d) does not require this Court to legitimize a scheme by which a patent owner licenses others on the explicit condition that the licensee purchase an unpatented component from the patent owner. This refusal to grant licenses to the defendants, coupled with plaintiff's acts which are specifically sanctioned by § 271(d), results in the scheme which the defendants argue would impermissibly extend the Wilson patent.

Plaintiff's response to this contention is that it enjoys an unrestricted right to refuse licenses to defendants which would permit defendants contributorily to infringe the Wilson patent.[11] In support of this contention plaintiff

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maintains that a patent owner "is neither bound to use his discovery himself nor permit others to use it," *citing Continental Paper Bag Co.* v. *Eastern Paper Bag Co.,* 210 U.S. 405, 425 (1908), and *Cataphote Corp.* v. *DeSoto Chemical Coatings, Inc.,* 450 F.2d 769, 744 (9th Cir. 1972), *cert. denied,* 408 U.S. 929 (1972). Neither of these cases involved the attempted extension of a patent right to monopolize the sales of unpatented components. The context of this rule in *Continental Paper Bag* involved a patentee's right to hoard his discovery. In *Cataphote* the Court simply upheld a patent owner's right to restrict the marketing of his patent to one exclusive licensee. The plaintiff *sub judice* is neither hoarding his patent nor limiting its monopolistic effects to the actual claims of its patented method. Moreover, "[t]he fact that the patentee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use." *Blonder-Tongue* v. *University Foundation,* 402 U.S. 313, 344 (1970).

Still focusing on the conduct of plaintiff as it bears on the defense of patent misuse, defendants advert to a brief portion of the history of litigation pertaining to propanil in federal courts. In 1970 plaintiff, as defendant in *Monsanto Co.* v. *Rohm & Haas Co.*, 312 F. Supp. 778 (E.D. Pa. 1970), *aff'd*, 456 F.2d 592 (3d Cir. 1972), successfully argued that a patent which had been issued for the chemical compound propanil should be declared invalid. Plaintiff succeeded in pursuading the court in *Monsanto* that propanil:

> "was for all purposes in the public domain and cannot be patented as a compound . . . . [T]he inventor of the novel property of the compound is not without recourse since he may patent the use of 3, 4-DCPA [propanil] as a selective post-emergence herbicide."

*Id.* at 790. Therefore, prior to the issuance of the Wilson

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patent, propanil was declared "for all purposes in the public domain". With regard to matters belonging to the public, the Supreme Court has held that:

> "a patent is not, accurately speaking, a monopoly . . . . The term "monopoly" connotes the giving of an exclusive privilege for buying, selling, working or using a thing which the public freely enjoyed prior to the grant. Thus a monopoly takes something from the people. An inventor deprives the public of nothing which it enjoyed before his discovery, but gives something of value to the community by adding to the sum of human knowledge."

*United States* v. *Dubilier Condenser Corp.*, 289 U.S. 178, 186 (1933). Plaintiff seeks in this lawsuit to monopolize the sale of propanil by taking it from the public domain. This Court is aware of no decision wherein the patent laws have been construed to permit such a taking.



Construed broadly, § 271(d) could be read to embrace the plaintiff's efforts to corner the market on all sales of unpatented and unpatentable propanil. However, the language of this provision is hardly a "clear and certain signal from Congress" that prior cases should be overruled. *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 530 (1971). The language of § 271(d) simply does not encompass the totality of plaintiffs' conduct in this case.

Neither the Supreme Court nor the United States Court of Appeals for the Fifth Circuit has construed § 271(d) to overrule the result in the *Mercoid* decisions. Section III.C.1.-3, *infra.* Although neither of these Courts has confronted this question in the precise context of a *Mercoid*-type misuse, both have continued to cite *Mercoid* as good authority.[12] Certainly the enactment of § 271 quelled the broad dictum in *Mercoid.* However, if it likewise overruled the result in *Mercoid,* it is incongruous that *Mercoid* is nevertheless still cited as good law.

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### C. Mercoid-Type Misuse Subsequent to the Patent Act of 1952

#### 1. *The Supreme Court's Decision in Aro II*

Plaintiff contends that the Supreme Court's holding in *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 492 (1964) (hereafter *Aro II,)* demonstrates that § 271(d) was clearly intended to and did reverse the *Mercoid* rulings:

> ". . . Congress enacted § 271 for the express purpose of reinstating the doctrine of contributory infringement as it had been developed by decisions prior to *Mercoid,* and of overruling any blanket invalidation of the doctrine that could be found in the *Mercoid* opinions."

377 U.S. at 476. This contention is without merit for several reasons. First, as noted previously by the Court, Section III.A., *supra,* the *B. B. Chemical Co.* v. *Ellis* opinion rendered three years before *Mercoid* held that an action for contributory infringement was defeated by the application of patent misuse on facts very similar to the cause here pending. Therefore, "contributory infringement as it had been developed by decisions prior to *Mercoid*" did not authorize or sanction patent extensions which effected a monopoly over unpatented components. Also, "prior to *Mercoid*" the doctrine of contributory infringement did not suffer from the sweeping language used by Justice Douglas which cast a doubt on the surviving "residuum" of this tort in *any* context. Moreover, in construing § 271 to overrule "any blanket invalidation of [contributory infringement]," the Supreme Court chose language which carefully avoided overruling the *Mercoid* result in toto. Finally, the language which is relied upon by plaintiff in *Aro II* was not intended by the Supreme Court to signal the complete demise of *Mercoid* because the Court resurrects *Mercoid* some five pages later in the opinion, 377 U.S. at 497, by stating in reference to a patent owner seeking to monopolize the sale

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of an unpatented, nonstable fabric component:

> "In particular, the patent owner cannot impose conditions concerning the unpatented supplies, ancillary materials, or components with which the [patented] use is to be effected."

*Aro II, supra,* 377 U.S. at 497.[13]

2. *Supreme Court Rulings Subsequent to Aro II*

Decisions rendered by the Supreme Court since *Aro II* which address the question of the permissible scope of a



combination patent demonstrate that *Mercoid* continues to retain vitality. *Deep South Packing Co.* v. *Laitram Corp.,* 406 U.S. 518 (1971); *Blonder-Tongue* v. *University Foundation,* 402 U.S. 313 (1970); *Zenith Radio Corp.* v. *Hazeltine Research, Inc.,* 395 U.S. 100 (1969).

In *Deep South Packing Co.* v. *Laitram Corp., supra,* the Supreme Court reversed a decision by the United States Court of Appeals for the Fifth Circuit which had held that a defendant who exported unpatented parts of an easy-to-assemble, patented combination, was guilty of direct infringement for "making, using, or selling any patented invention within the United States". 35 U.S.C. § 271(a). The Supreme Court reversed. Citing *Mercoid II,* the Supreme Court premised its reversal on the "unassailable" rule that "a patent on a combination is a patent on the assembled or functioning whole, not on the separate parts". 320 U.S. at 684[14] The Supreme Court proceeded to set out a rigorous test for advocates who would urge that the Patent Act modified or overruled prior cases.

> "[W]e should not expand patent rights by overruling or modifying our prior cases construing the patent statute, unless the argument for expansion of privilege is based on more than mere inference from ambiguous statutory language. We would require a clear and certain signal from Congress before approving the position of a litigant who, . . . argues that the beachhead of privilege is wider, and the area of public use

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> "narrower, than Courts had previous thought. No such signal legitimizes respondents' position in this litigation."

406 U.S. at 530.

In *Blonder Tongue* v. *University Foundation,* 402 U.S. 313 (1970), the Supreme Court, while "recognizing the

patent system's desirable stimulus to invention," cited *Mercoid* as one of a "series of decisions in which the [Supreme] Court has condemned attempts to broaden the physical or temporal scope of the patent monopoly".[15] *Id.* at 343.

*Zenith Radio Corp.* v. *Hazeltine Research, Inc., supra,* and *United States* v. *Loew's, Inc.,* 371 U.S. 38, 46 (1962), do not deal with § 271(d) or its effect on the *Mercoid* rule,[16] but it is nevertheless evident that the language in these opinions reveals a great reluctance on the part of the scope of his property rights beyond the claims of his patent.[17]

3. *Lower Court Decisions*

a. *The Fifth Circuit*

The United States Court of Appeals for the Fifth Circuit has not construed § 271 in the context of a *Mercoid*-type misuse, although it has indicated in dictum that the result in *Mercoid* still maintains some vitality.[18] In *Fromberg, Inc.* v. *Thornhill,* 315 F.2d 407 (5th Cir. 1967), the Court of Appeals cited *Mercoid* for the general rule that any effort to extend a combination patent to monopolize an unpatented component would be patent misuse, 315 F.2d at 412, but acknowledged that the enactment of "§ 217 was intended to work some changes in these concepts". 315 F.2d at 412, n.13. The Court expressly reserved judgment on the reach or purpose of such changes. *Id.* at 414, n.18. The law in this Circuit

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as to whether patent owners can monopolize the sale of nonstaple components of their patent is therefore unsettled.



b. *Other Lower Court Decisions*

Plaintiff cites two post-1952 decisions which it maintains are the only authorities squarely on point with the case at bar. *Harte & Co., Inc.* v. *L. E. Carpender Co.,* 138 U.S.P.Q. 538 (S.D.N.Y. 1963); *Sola Electric Co.* v. *General Electric Co.,* 146 F. Supp. 625 (N.D. Ill. 1956). In *Sola* the plaintiff owned a patent on a combination of unpatented components to be used in an alternating current supply system. Like the patentee in *Mercoid,* and the patent owner *sub judice,* the plaintiff and his licensees derived their income from sales of unpatented, nonstaple components. Licenses were granted only to customers who purchased the unpatented components sold by the plaintiff or his licensees. The court held that the patent was invalid and therefore unenforceable. 146 F. Supp. at 646.

Although it was wholly unnecessary to do so in light of the court's ruling on the invalidity of the patent, the court went on to consider the defendant's allegation of patent misuse, concluding that § 271 had indeed overruled the result in the *Mercoid* decisions. This Court does not agree with this conclusion. However, it is more important to note that the licensing policy in *Sola,* unlike the policy *sub judice,* did not effect a monopoly in unpatented components — licensed use of the *Sola* patent was not conditioned exclusively on purchases of the unpatented component from the patent owner. The patent owner in *Sola* exploited its patent in two ways. First, it collected royalties from licensees who in turn manufactured and marketed the unpatented component. Second, it derived profits from the sale of unpatented components,

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which were presumably priced to compete with the plaintiff's competitor-licensees. Section 271(d)(1) clearly per-

mits an owner of a combination patent to compete with other manufacturers in the sale of unpatented components. Plaintiff Rohm and Haas, on the other hand, is urging its right to eliminate competition wholly by monopolizing the sale of unpatented and now unpatentable propanil.

The patent in *Harte* involved an ornamental design for resinous plastic material used in raincoats, shower curtains and upholstery. The defendant patent owner required its licensees to purchase from the defendant all embossing rollers used in the patent design. These rollers were used exclusively in the defendant's design and thus were nonstaple items. In its findings the court held that the "rollers were sold by [the patent owner] at cost, and without intent to restrain competition in or monopolize the production of the rollers." 138 U.S.P.O. at 583. The court concluded that sales of the rollers did not constitute patent misuse since such sales were based on the defendant's skills and experience in the design field, and hence not conditioned on the defendant's ownership of the patented design.

Unlike the *Harte* plaintiff, the plaintiff at bar does not contend that it sells its propanil at cost in order to secure licenses for its patented method; nor does it make any pretense as to its intent to eliminate competition by monopolizing the sale of propanil. There is also no contention here that plaintiff's propanil is in any way superior to the propanil sold by the defendants. Notwithstanding plaintiff's reliance on this opinion, the Court is unable to agree that the rationale of *Harte* applies in the present context.

Post-1952 authority cited by defendants supports the broad proposition that a patent on a combination

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does not secure a monopoly on any of the unpatented components of that combination, and whether those components



are staple or nonstaple is a factor which the courts have simply ignored in applying this principle. *See* M. Nelson, *Mercoid-Type Misuse is Alive,* 56 J. PAT. OFF. SOC'Y 134 (1974), and cases cited therein. *See also McCullough Tool Co.* v. *Wells Surveys, Inc.,* 343 F.2d 381 (10th Cir. 1965).

Plaintiff distinguishes defendants' cases on various grounds, including the fact that some do not deal with nonstaple components. *E.g., Calhoun v. United States,* 339 F.2d 665 (Ct. Cl. 1964), *Sonobond Corp.* v. *Uthe Technology,* 314 F. Supp. 878 (N.D. Cal. 1970). For example, it is urged that the unpatented component at issue in *Sonobond* possessed many uses outside of the patent in dispute. Plaintiff concludes that § 271(d) was therefore inapplicable in *Sonobond* because the condition precedent to its applicability—the existence of a nonstaple article whose sale would constitute contributory infringement—simply could not be satisfied. As noted in Section III.B.1., *supra,* the Revisory Notes to § 271 belie this interrelation between the four paragraphs of § 271. Only the tort of contributory infringement, as defined in paragraph (c) is limited to the sale of nonstaple articles. Neither direct infringement under paragraph (a), nor induced infringement under paragraph (b) limits the applicability of these respective torts to nonstaple components. Paragraph (d) is ancillary to all three of the paragraphs which precede it. Therefore, regardless of whether the infringing article is staple or nonstaple, patent misuse may be an appropriate defense.

Plaintiff also argues that cases in which royalty rates are determined to be discriminatory because they are based on whether the licensee purchased unpatented components from the patent owner are not apposite to the present facts.[19]

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However, in the context of patent misuse it is clear that discriminatory royalty rate cases are applicable at least to the limited extent that the discriminatory rate unduly stifles or effectively destroys competition in the sale of unpatented components. In the present context, if plaintiff had offered at a prohibitive cost to license defendants, the stifling effect might well be functionally indistinguishable from a refusal to license at any price.

It is not necessary to consider all of the authority cited by defendants. The Supreme Court in *B. B. Chemical Co., supra,* and *Mercoid I* and *II, supra,* characterized efforts to effect a monopoly over unpatented components as patent misuse, whether the component was nonstaple or otherwise. Neither the legislative history nor the language of § 271 indicates that this rule has been modified. In determining whether such a modification has transpired, it is sufficient to conclude that the Court is aware of no authority that construes § 271 to sanction, on grounds that the monopoly sought extended to a nonstaple component, patent owner conduct which would otherwise constitute patent misuse.

## IV. DEFENDANT'S COUNTERCLAIM FOR ANTITRUST VIOLATIONS

Defendants have filed counterclaims in this action alleging violations of the antitrust laws, 15 U.S.C. §§ 1, 2 and 14. Defendants also seek declaratory relief under 28 U.S.C. § 2201, pronouncing the Wilson patent invalid and unenforceable. Nothing in this ruling should be construed to be determinative of any of the matters raised by defendants in their counterclaims. While conduct of a patent owner which constitutes a violation of the antitrust laws would usually, if not always, constitute patent misuse as a matter



of law, the congruence of patent misuse and violations of antitrust laws

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has long been an unsettled question. It was unclear until recently whether a finding of patent misuse required proof of an antitrust violation. *See Hensley Equipment Co.* v. *ESCO Corp.,* 383 F.2d 252, note 19 (5th Cir. 1967). In *Zenith Radio Corp.* v. *Hazeltine Research, Inc.,* 395 U.S. 100, 140 (1969), the Supreme Court removed all lingering doubts in holding that a finding of patent misuse did not necessarily constitute an antitrust violation under the Sherman or the Clayton Acts. *See also* T. Maffei, *The Patent Misuse Doctrine: Balance of Patent Rights and the Public Interest,* 52 J. PAT. OFF. SOC'Y 178 (1970). The ruling *sub judice* is limited to the question of patent misuse.

## V. CONCLUSION

### A. Plaintiff's Motion for Partial Summary Judgment to Strike Defendants' Allegations of Patent Misuse

The Court in this ruling has determined first that the result in the *Mercoid* decisions dictates a finding of patent misuse in this action as a matter of law, based upon stipulated facts. Additionally, the Court has concluded that plaintiff's attempt to monopolize the sale of propanil in this case by refusing to license under any circumstances constitutes an extension and exploitation of its patent exceeding the patent exploitation condemned by the Supreme Court in the *Mercoid* decisions. Neither the legislative history, nor the subsequent judicial construction of § 271 supports the plaintiff's contention that the test for patent misuse is in any manner dependent upon the staple or nonstaple nature of the infringing article. Patent misuse is an equitable defense which, if established, bars a patent owner seeking equitable relief for direct infringement under

§ 271(a), active inducement of infringement under § 271(b), or contributory infringement under § 271(c).

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Section 271(d) patent misuse is expressly ancillary to these three codified torts of patent infringement. Revisory Notes, 35 U.S.C. § 271 (1952).

Section 271(d) does not create a cause of action against a mala fide patent owner. Patent misuse arises only as a defense to an action for infringement. It becomes germane only after the court determines or assumes that there has been an infringement under paragraphs (a), (b) or (c) of § 271. Congress could easily enough have provided that any owner of a combination patent is permitted to monopolize the sales of unpatented, nonstaple components which lack any substantial noninfringing use. It did not do so. Plaintiff, by seeking to incorporate the staple-nonstaple issue into the construction of § 271(d), confuses analysis of the patent owner's conduct with that of the infringer.

This finding of patent misuse in no way resolves the question of validity of the Wilson patent; moreover, once the patentee has purged itself of the effects of its patent misuse, it may seek once more to enforce its patented method by reasserting its allegation of contributory infringement. *Hensley Co.* v. *ESCO Corp.*, 383 F.2d 252, 261 (5th Cir. 1967). For reasons set out in this ruling, however, the Court holds that plaintiff's present policies constitute patent misuse.[20]

### B. Defendants' Motion for Partial Summary Judgment Urging Dismissal of Plaintiff's Complaint

Defendants' motions for summary judgment to strike the plaintiff's allegations of indirect infringement on the



grounds that such allegations are barred by the misuse of plaintiff's patent confronts this Court with a problem not wholly resolved by the denial of plaintiff's motion for partial summary judgment. The Supreme Court in *Morton Salt Co.* v. *G. S. Suppiger*, 314 U.S.

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488 (1942), indicated that when misuse of the patent is established as a matter of law prior to trial, the patent owner's complaint should be dismissed without prejudice to purge the misuse and thereafter seek relief. In this ruling the Court has concluded that the plaintiff cannot market propanil, refuse to license others to compete in such sales, and then file a suit with the object of securing a monopoly over the sale of propanil. This Court, by enjoining defendants from selling propanil, would effectuate this monopoly. On the other hand, plaintiff has alleged both contributory infringement and active inducement of infringement. Appropriate relief for active inducement of infringement could conceivably be fashioned to avert this wrongdoing and at the same time avoid an impermissible extension of plaintiff's patent to an unpatented combination. If defendants' labels and advertising are ultimately proven to constitute active inducement of infringement of the Wilson patent, defendants, in urging dismissal of this suit, in effect seek

> "a continuing immunity from suit, . . . blithely continu[ing] to practice the arts of piracy, . . . while pointing . . . finger[s] at plaintiff as unclean [and are] not Daniel[s] come to judgment, but Satan[s] quoting the Scripture to [their] purpose."

*Gray Tool Co.* v. *Humble Oil & Refining Co.*, 186 F.2d 365, 368 (5th Cir. 1951), *cert. denied*, 941 U.S. 934 (1951). This

piracy, if proven, can and should be prohibited by the Court.

Issues remaining to be resolved in this case include the validity of the Wilson patent and whether it has in fact been infringed by the defendants, as well as the various anti-trust allegations raised in the defendants' counterclaims. This ruling is only a pre-trial, interlocutory adjudication of the question of patent misuse in the context of plaintiff's present licensing policies. It is based entirely on facts stipulated by the parties. Like infringement, patent misuse.

**[439]**

involves ongoing conduct. If appropriate, this ruling is subject to revision by this Court since it has no res judicata effect. 6. J. Moore, Federal Practice ¶ 56.20 [3-4] (2d ed. 1976); *see also Bon Air Hotel, Inc.* v. *Time, Inc.*, 426 F.2d 862 (5th Cir 1970); Rule 54(b) Fed. R. Civ. P.

In a case of this complexity, both with respect to the resolution of the pending motions, as well as the ultimate decree entered in this cause, this Court will be guided by the wisdom of Chief Judge Hutcheson, who was confronted by similar facts in *Gray Tool Co.* v. *Humble Oil & Refining Co., supra.*[21] Defendants' motions for partial summary judgment are granted at this time insofar as they seek an injunction of the legality of plaintiff's monopolization of the sale of propanil, but are denied to the extent that they seek dismissal of plaintiff's complaint.

### C. Pending Motions for Protective Orders Under Rule 26(c), Fed. R. Civ. P.

Defendants have filed motions for protective orders under Rule 26(c), Fed. R. Civ. P., seeking to stay discovery pending resolution of the three outstanding motions for



summary judgment. With the exception of a motion for protective order filed by defendant Helena Chemical Corporation, which seeks to quash notices of depositions given to a Mr. Jerry A. Williams and a Mr. J. C. Blue, the sole basis submitted for the requested orders was the pendency of arguably dispositive motions for summary judgment. This ground no longer applies; therefore, all motions for protective orders related thereto are denied.

1. *Proper Situs for Deposing a Corporate Official*

Mr. Williams, who is presently chairman of the board of defendant Helena, resides in Billings, Montana. Although this lawsuit was filed in the Southern District of Texas, the defendant Helena does not have a principal place of business

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here in this District. Helena submits that only the proper locations in which to take the deposition of Mr. Williams are either at Helena's principal place of business in Memphis, Tennessee, or at the residence of Mr. Williams in Billings, Montana. Although defendant Helena is doing business in the Southern District of Texas, the Court agrees that the plaintiff should be required to choose between Mr. Williams' residence and defendant's principal place of business for taking a deposition. *Application of Johnson and Johnson,* 59 F.R.D. 174, 178 (D. Del. 1973); *Joseph F. Less* v. *Taber Inst. Corp.*, 53 F.R.D. 645, 646 (W.D.N.Y. 1970).

2. *Parties Deposable as Corporate Officials*

Mr. Blue was a past president of defendant Helena. He is no longer president or otherwise employed by Helena. The Court agrees with the defendant that Mr. Blue, who

is a resident of Houston, would be subject to a deposition as an individual, but only by subpoena. "A corporation may not be examined [by a deposition] through one who was formerly an officer thereof but is no longer in its employ." *Kolb* v. *Bull Steamship Co.*, 13 F.R.D., 252, 254 (E.D.N.Y. 1962). *See also* J. MOORE, FEDERAL PRACTICE, ¶ 30.51, n.10 (2d ed. 1975).

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Plaintiff's motion for partial summary judgment is denied. Defendants' motions for partial summary judgment are granted in part and denied in part. Defendants' motions for protective orders are denied with the exception of defendant Helena's motion to quash notices of deposition given to Jerry A. Williams and J. C. Blue, which is granted.

DONE at Houston, Texas, this 10th day of August, 1976.

Carl O. Bue, Jr.

United States District Judge

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## FOOTNOTES

[1] *See also B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495, 498 (1942). Licenses to use the plaintiff's patented method of reinforcing shoe insoles were granted to plaintiff's customers who purchased a pre-coated fabric used in the method. The Supreme Court rejected the argument that this licensing method was the only practicable way to exploit the patent, holding that the plaintiff's attempt to establish a monopoly in an unpatented article constituted misuse of its patent. The Chief Justice indicated that if the plaintiff was willing to grant unconditional licenses to manufacturers on a royalty basis, reconsideration of its right to relief would be appropriate.

[2] *"Section 271. Infringement of patent.*

"(a) Except as otherwise provided in this title [§ 1 et seq. of this title], whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.



"(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

"(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

"(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement."

[3] *E.g.*, J. Scafetta, *Ten Years After Aro II: The Effect of Patent Act § 271 on the Patent Misuse Doctrine*, 26 S. CAR. L. REV. 539, 548 (1975); C. Miller, *Some Views on the Law of Patent Infringement by Inducement*, 53 J. PAT. OFF. SOC'Y. 86, 95 (1971); *Note, Combination Patents: the Right to Prohibit Sales of Replacement Parts*, 70 Yale L.J. 649, 655 (1961); *Note, Contributory Infringement and Misuse — the Effect of Section 271 of the Patent Act of 1952*, 66 HARV. L. REV. 909, 914 (1953).

[4] Of the authorities cited in *note* 3, *supra*, the authors of Comment, 53 J. PAT. OFF. SOC'Y 86, 95-96 (1971); *Note*, 70 YALE L. J. 649 655 (1961); and *Note*, 66 HARV. L. REV. 909, 914 (1959), conclude that the enactment of § 271

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sought to eliminate the uncertainty created by Mr. Justice Douglas' dictum in *Mercoid*. *See also* A. Areeda, *Antitrust Analysis* ¶ 534(a), n.89 (2d ed. 1974).

[5] For example, in instances where a large number of consumers directly infringing a combination patent are supplied with components or otherwise aided by a small number of "accomplices", the most effective method to halt the infringement is to permit the patent owner to sue the "accomplices". *Cf.* D. Moseley, *The Knowledge Requirement of Contributory Infringement and the Aro Case*, 47 J. PAT. OFF. SOC'Y 98, 103 (1965).

[6] The first case to actually use the term "contributory infringement" was *Snyder* v. *Burnell*, 29 F. Cas. 47 (C.C. S.D.N.Y. 1886).

[7] Plaintiff, in arguing that § 271(d) expressly sanctions its licensing policies, maintains that "[i]n the event that at some future time a substantial commercial use for propanil should arise in this country which does not infringe the patent at bar, Rohm and Haas then would modify its licensing policy since the Section 271(d) exception would no longer apply". In its complaint plantiff charges defendants with actively inducing infringement, under § 271(b), as well as contributory infringement, under § 271(c). Throughout its memorandum filed in opposition to defendants' motion for partial summary judgment, plaintiff urges that its own conduct vis-a-vis patent misuse under § 271(d) should be sanctioned or condemned depending solely upon whether propanil is determined to be a staple or nonstaple article. Nowhere in the language of § 271(d) has Congress limited or otherwise defined patent misuse by reference to the staple or nonstaple nature of an unpatented component. For reasons set out in *Fromberg, Inc.* v. *Thornhill*, 315 F.2d 407, 414-415 note 20 (5th Cir. 1967), and Section III.B.2., *infra*, this Court has concluded that the nature of a component article of a patented combination is germane only to the definition of a contributory infringer under § 271(c); it should not confuse analysis of the patentee's conduct under § 271(d) for purposes of determining patent misuse *vel non*.

[8] *E. g.*, J. Scafetta, *Ten Years After Aro II: The Effect of Patent Act § 271 on the Patent Misuse Doctrine*, 26 S. CAR. L. REV. 539 (1975), reprinted in 58 J. PAT. OFF. SOC'Y 69 (1976) (hereinafter *Scafetta*); C. Miller, *Some Views on the Law of Patent Infringement by Inducement*, 53 J. PAT. OFF. SOC'Y 86, 94-97 (1971); *Note*, 70 YALE L. J. 649, 656-660 (1961); *Comment, Note*, 66 HARV. L. REV. 909 (1953).

[9] *Deep South Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 530 (1971); *Aro Mfg. Co., Inc.* v. *Convertible Top Replacement Co., Inc.*, 365 U.S. 336, 347, n.2 (1961) (Black, J., concurring). Mr. Crumpacker, a congressman who participated in the hearings as a member of the patent subcommittee of the House, is purported to have stated that:

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" . . . this colloquy is almost entirely meaningless, it being merely an exchange of pleasantries by some senators having little, if any familiarity with the subject matter they were discussing.[21] [21 . . . . Any senator or representative who got as far as reading the title of the bill would see it was a bill to *revise* and codify the laws.]"



J. Scafetta, note 8, *supra* at 558. While the Court agrees that little weight should be accorded to this colloquy between senators on the floor, great weight must be accorded to the presumption that, inciting this exchange on at least two occasions, the Supreme Court has concluded that the result in *Mercoid* has not been overruled.

The Court has closely studied the Scafetta article, note 8, *supra*, for two reasons. First, it is the most recent as well as the most comprehensive commentary published on the doctrine of patent misuse. Second, it has been graced by the Robert C. Watson Award for 1975 from the American Patent Law Association for the best publication prepared by an author, while a student, on a "subject of primary importance to the patent system". *See* 58 J. PAT. OFF. SOC'Y, 69 (1976). The collision in this case of the policies underpinning the patent laws and the antitrust laws is graphically illuminated by Scafetta's assault on the views of the Justice Department and the American Bar Association Section on Antitrust Law, which coincide with this Court's finding of patent misuse. Scafetta, *supra* at 589. *See* ABA ANTITRUST SECTION 339-41 (1975).

Based primarily on his interpretation of the Supreme Court's opinion in *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476 (1964), Mr. Scafetta concluded in his article that the enactment of § 271 effectively overruled the result as well as the broad dictum in the *Mercoid* decisions. For reasons set out in Section III.C., *infra*, this Court disagrees. Moreover, the exploitation pursued in the present case transcends the conduct which confronted the Supreme Court in *Mercoid*. Section III.A., *supra*.

[10] Mr. Rich also stated before the committee that it was his opinion that § 271 covered "the *Mercoid* type of situation", Hearings, *supra* at 174, which tends to support the conclusion that the result in *Mercoid* would be changed by § 271(d). This Court has determined that § 271(d) sanctions the conduct of a patent owner only if the three provisions of this paragraph comprehensively define that conduct. Any conduct of patent exploitation which falls outside of § 271(d) requires the Court to determine whether the judicial doctrine of patent misuse is appropriate. Mr. Rich's construction of § 271(d) to senators prior to its enactment supports this analysis. For reasons set out in the following paragraphs, the Court has concluded that the plaintiff in this case has exploited its method patent in a manner exceeding the acts specifically set out in § 271(d). Moreover, a settled public policy against extending patents to

unpatented articles should not be overridden by the general terms of a statute which do not establish with certainty a legislative intent to depart from that policy. *See United States* v. *Sweet*, 245 U.S. 563, 572 (1918). *See also Deep South Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 531 (1971).

[11] Of course, if defendants were licensed by plaintiff to label containers of propanil with instructions setting out plaintiff's patent, as are plaintiff's propanil customers, defendants would not be contributory infringers.

[12] *E.g., Deepsouth Packing* v. *Laitram*, 406 U.S. 518, 528 (1972); *Blonder-Tongue* v. *University Foundation*, 402 U.S. 313, 343-44 (1970); *Fromberg, Inc.* v. *Thornhill*, 315 F.2d 407, 412 (5th Cir. 1963) ("[The effort to] extend [the patent monopoly] to unpatented materials which are used in, or consumed by, the patented machine, process or device . . . constitutes patent misuse"). *Cf.* M. Nelson, *Mercoid-Type Misuse is Alive*, 56 J. PAT. OFF. SOC'Y 134 passim (1974).

[13] The context of this statement in the *Aro II* opinion is somewhat confusing; in the midst of a discussion of the elements of contributory infringement, the Court digresses briefly to touch on an element of patent misuse. It is clear from this passage, however, that the Supreme Court in *Aro II* did not interpret § 271 to overrule the result in the *Mercoid* decisions.

[14] ". . . [W]e find the Fifth Circuit's definition unacceptable because it collides head on with a line of decisions so firmly embedded in our patent law as to be unassailable absent a congressional recasting of the statute.

"We cannot endorse the view that the 'substantial manufacture of the constituent parts of [a] machine' constitutes direct infringement when we have so often held that a combination patent protects only against the operable assembly of the whole and not the manufacture of its parts. 'For as we pointed out in *Mercoid* v. *Mid-Continent Investment Co.*, [320 U.S. 661, 676] a patent on a combination is a patent on the assembled or functioning whole, not on the separate parts.' *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680, 684 (1944). *See also Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U.S. 301:

> 'A combination is a union of elements, which may be partly old and partly new, or wholly old or wholly new. But whether new or old, the combination is a means — an invention — distinct from them.' *Id.* at 318.



> " '[O]ne element is not the combination. Indeed, all of the elements are not. To be that — to be identical with the invention of the combination — they must be united by the same operative law,' *Id.* at 320.

And *see Brown* v. *Guild*, 23 Wall. 181 (1874). In sum,

> '[i]f anything is settled in the patent law, it is that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant.' *Oro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. at 344."

406 U.S. at 528.

[15] The Supreme Court in *Blonder-Tongue* quoted the following passage from *Mercoid I*, *supra*, 320 U.S. at 666:

> " 'The necessities or convenience of the patentee do not justify any use of the monopoly of the patent to create another monopoly. The fact that the patentee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use.' " 402 U.S. at 343-344.

[16] It should be noted, however, that plaintiff's heavy reliance on *Aro II* suffers from the same infirmity.

[17] "These cases reflect a hostility to use of the statutorily granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles." *United States* v. *Loew's, Inc.*, 371 U.S. 38, 46 (1962).

"Among other restrictions on him, he [the patentee] may not condition the right to use his patent on the licensed's agreement to purchase, use, or sell, or not to purchase, use or sell, another article of commerce not within the scope of his patent monopoly." *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 136 (1969).

[18] ". . . [O]ne must begin with the rule that a patent protects only the [patented] machine in its totality and not its individual unassembled elements. . . . The purpose behind the *Brown, Aro, Mercoid* rule is to prevent the patentee from exercising exclusive control over the constituent elements of his patented machine. The public has a right to these elements. . . ." *Laitram Corp.* v. *Deep South Packing Co., Inc.*, 443 F.2d 936 (5th Cir. 1971), *rev'd on other grounds*, 406 U.S. 318 (1971).

[19] *Ansul Co.* v. *Uniroyal, Inc.*, 306 F. Supp. 541 (S.D.N.Y. 1969), *aff'd* 448 F.2d 872 (2nd Cir. 1971), *cert. denied*, 404 U.S. 1018 (1972); *National Foam System* v. *Urquhart*, 202 F.2d 659 (3d Cir. 1953).

[20] As the Court noted in Section III.A.3., *supra*, plaintiff with its licensing policy attempts to exploit the Wilson patent in a manner not wholly analogous to the efforts of the patent owner in *Mercoid*. Also, it is not entirely clear to what extent the Supreme Court in arriving at its conclusions in *Mercoid* scrutinized the reasonableness of the patent owner's licensing efforts. The Court has determined that the enactment of § 271 does not now permit a patent owner to monopolize the sale of unpatented articles, whether they are nonstaple components or otherwise. The effect of this order compels the patent owner marketing unpatented, nonstaple components of his combination patent to first offer licenses to others marketing that component before it seeks equitable relief for contributory infringement. Although the act of bringing the suit is expressly sanctioned by § 271(d)(3), and therefore cannot serve as the basis for a finding of patent misuse, it does not follow that every patent owner who brings a suit for infringement is thereby immunized against this defense. Rather, the patent owner's acts antecedent to the filing of the suit constitute the basis for a finding of patent misuse *vel non*.

It would be premature for this Court to now consider reasonable royalty rates or the number of offers necessary in order to dissipate the misuse arising from attempts to monopolize the sale of propanil. It is sufficient in this interlocutory order to conclude simply that § 271 does not legitimize the monopoly.

[21] "Such a decree should, of course, be so framed as that it will not permit an unreformed and unrepentant plaintiff to obtain the fruits of bringing a defendant to book for his wrong doing, unless and until proper amends are made by plaintiff for his own wrong doing. Equally, of course [the Court should not countenance] a defendant's wrong doing in deliberately stealing the fruits of plaintiff's invention by permitting him, by the simple device of the pot calling the kettle black, to continue to escape accountability. In short, the decree should, if at all possible, be so drawn as to protect the public from the continuing wrong doing of the plaintiff in misusing its patents and the plaintiff and the public from the continuing wrong doing of defendant in deliberately pirating plaintiff's invention." 186 F.2d at 369.

* * * *



IN THE

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

CIVIL ACTION NO. 74-H-790

ROHM AND HAAS CO.

*Plaintiff*,

v.

DAWSON CHEMICAL COMPANY, CRYSTAL MANUFACTURING CORPORATION, CRYSTAL CHEMICAL COMPANY, AND HELENA CHEMICAL COMPANY

*Defendants.*

James C. Winters, Crain, Winters, Deaton, James & Briggs, Houston, Texas, for plaintiff.

John L. McConn, Jr., Butler, Binion, Rice, Cook & Knapp, Houston, Texas, for defendants Dawson Chemical Co., Crystal Manufacturing Corp. and Crystal Chemical Co.

B. R. Pravel, Pravel and Wilson, Houston, Texas, for defendant Helena Chemical Co.

## MEMORANDUM AND ORDER

### I. INTRODUCTION

This is a suit for patent infringement of a patent owned by plaintiff Rohm and Haas Company. The suit was filed on the day the patent was issued, June 11, 1974, and the parties thereafter entered into a stipulation of the facts in the hope of presenting to the Court for summary judg-

ment a clear-cut question of law. On November 11, 1974, defendants moved for partial summary judgment on the ground that the stipulated facts established patent misuse as a matter of law. The Court in its Memorandum and Opinion of August 10, 1976, found as a matter of law that plaintiff had in the past misused and continued to misuse its patent and therefore

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granted summary judgment as to the defense of misuse. Despite the finding of misuse, the Court at that time declined to dismiss the action.

## II. PENDING MOTIONS

Defendants now urge the Court by way of motions to reconsider its decision not to dismiss plaintiff's complaint. In the alternative, defendants seek an order for immediate appeal under 28 U.S.C. § 1292(b). Defendants Dawson Chemical Company, Crystal Manufacturing Company and Crystal Chemical Company have joined in one such motion. Defendant Helena Chemical Company has submitted a separate motion. In view of the substantial likeness of these motions, they will be treated together by the Court for purposes of this opinion. Helena Chemical Company has also filed a motion for stay of depositions until this Court has resolved the pending motions for reconsideration. Plaintiff opposes the motions for reconsideration of the refusal to dismiss, but joins defendant Helena Chemical Company by way of cross-motion in requesting an order permitting an immediate appeal under 28 U.S.C. § 1292(b). Based upon the reasons and analysis that follow, defendants' motion to reconsider is granted, and the case is dismissed. All other motions are denied as moot.



## III. THE APPLICABLE CASE LAW

### A. Defendants' Contentions

Defendants urge that in view of the Court's previous finding of misuse in its opinion of August 10, 1976, the Court is now required to dismiss plaintiff's action for infringement.

1. *Morton Salt Co.* v. *G. S. Suppiger Co.*

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Defendants contend that dismissal is required under the holdings in *Morton Salt Co.* v. *G. S. Suppiger Co.* 314 U.S. 488, 86 L.Ed. 363 (1942) (hereinafter *Morton Salt*), and *B. B. Chemical Co.* v. *Ellis,* 314 U.S. 495, 86 L.Ed. 367 (1942) (hereinafter *B. B. Chemical*), which are the leading cases in this area of the law.

In *Morton Salt, supra,* the G. S. Suppiger Company held a patent on a machine for depositing salt tablets, a device used in the canning industry to add predetermined amounts of salt in tablet form to the contents of cans. The G. S. Suppiger Company leased these patented machines to commerical canners under licenses that specified that only the subsidiary's salt tablets could be used with the leased machines. The Supreme Court agreed with the trial court that the company in so doing was making use of the patent to restrain competition in the marketing of unpatented articles and was creating a limited monopoly in salt tablets that was not within the monopoly granted by the patent. *Morton Salt, supra,* 314 U.S. at 491, 86 L.Ed. at 365. The trial court, after its finding of misuse, dismissed the cause without resolving the remaining issues of validity and infringement. The Supreme Court held the maintenance of a suit under such circumstances was contrary to public policy and that the district court had rightly dismissed

for want of equity. 314 U.S. at 494, 86 L.Ed. at 367. The Court's reasoning in approving such dismissal was expressed thus:

> "Where the patent is used as a means of restraining competition with the patentee's sale of an unpatened product, the successful prosecution of an infringement suit . . . is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying the grant of the patent . . . Equity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is

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> "made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated."

*Morton Salt,* 314 U.S. at 493, L.Ed. at 366. *Morton Salt* thus makes it clear that where misuse of a patent is found to exist, equitable and public policy considerations dictate the withholding of relief while such misuse continues extant.

2. *B. B. Chemical Co.* v. *Ellis*

The companion case to *Morton Salt, supra,* is *B. B. Chemical Co. v. Ellis,* 314 U.S. 495, 86 L.Ed. 367 (1942), decided the same day. Petitioner in that case was the owner of a method patent for reinforcing insoles in shoe manufacture. Petitioner sought an injunction prohibiting infringement, alleging that the acts of infringement amounted to active inducement of infringement by the shoe manufacturers and to cooperation with their infringing acts. Respondents set up as a defense petitioner's misuse of the patent by permitting its use only with the unpatented ma-



terials sold by petitioner. The Supreme Court affirmed the district court's dismissal, saying:

> "[I]n view of petitioner's use of the patent as the means of establishing a limited monopoly in its unpatented materials, and for the reasons given in our opinion in the Morton Salt Co. case, we hold that the maintenance of this suit to restrain *any form of infringement* is contrary to public policy, and that the district court rightly dismissed it." (emphasis added)

*Id.* at 497-98. The result in *B. B. Chemical* thus indicates that the type of infringement alleged, whether contributory infringement or active inducement of infringement, is of no consequence where misuse exists. So long as there is an existing patent misuse, the courts will withhold relief on claims of infringement, regardless of the type of infringement alleged. Thus, under *B. B. Chemical,* plaintiff's allegation

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of active inducement of infringement by defendants will have no effect in the context of deciding whether dismissal is appropriate in the instant case.

3. *Gray Tool Co.* v. *Humble Oil & Refining Co.*

Defendants contend that the case of *Gray Tool Co.* v. *Humble Oil & Refining Co.,* 186 F.2d 365 (5th Cir. 1951) is distinguishable from the instant case and from the decision of the Supreme Court in *Morton Salt Co., supra,* and *B. B. Chemical Co., supra.* (Memorandum in Support of Defendant's Motion for Reconsideration of the Court's Decision Not to Dismiss Plaintiff's Complaint, p. 3). The Court is in agreement. A careful reading of the *Gray* case discloses a different situation from that existing in the instant case. In *Gray,* the district court in an action for patent

infringement made a finding of patent misuse and dismissed the action on summary judgment. On appeal the Fifth Circuit found that the record did not support the district court's conclusion that the defense of misuse had been established as a matter of law. The Court of Appeals said (p. 367):

> "Nothing in the pleadings, in the evidence given, or in the admissions made by plaintiff, established as matter of law that it was misusing its patents in an attempt to obtain a monopoly in violation of the applicable rule."

In essence, the Court of Appeals in *Gray* overturned the district court's finding of misuse.[1] Because the misuse finding was rejected in *Gray,* the *Gray* court's refusal to dismiss in no way conflicts with the decisions of the Supreme Court in *Morton Salt, supra,* and *B. B. Chemical, supra,* both of which decisions were made in light of findings of misuse. Thus the holding in *Gray* in no way diminishes or modifies the effect of the holdings in *Morton Salt* and *B. B. Chemical* on the present case.

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**B. Plaintiff's Contentions**

Plaintiff urges that it be allowed to litigate the remaining issues of validity and infringement in this case, despite the finding of misuse. In so urging plaintiff cites to the Court several cases which plaintiff contends entitle it to maintain its action for validity and infringement. The authorities so cited are reviewed below.

1. *W. L. Gore & Associates* v. *Carlisle Corp.*

In the case of *W. L. Gore & Associates, Inc.* v. *Carlisle Corp.,* 381 F. Supp. 680 (D. Del. 1974), the plaintiff was the owner of a patent relating to the manufacture of a flat multiconductor ribbon cable used to transmit electrical signals. The court there found that plaintiff's attempted reciprocal dealing in relation to the patent constituted patent misuse. *Id.* at 706. However, the court then found that plaintiff's unlawful conduct had ended no later than January 8, 1973, when all pending license offers were withdrawn. Thus, the misuse had ceased over a year and a half before the court rendered its decision on September 9, 1974. The court found one of the patents at issue to be valid and infringed, and concluded that the plaintiff was entitled to an injunction prohibiting further infringement, despite the initial finding of misuse.



The Court articulated its reasoning as follows:

> "The considerations for remedying the patent misuse here are somewhat different. A finding that a patent owner has misused its patent does not operate to invalidate the patent, and full rights to enforce a patent that has been misused may be reinstated when it can be shown 'that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated.' Morton Salt Co. v. Suppiger, supra at 492-493, 62 S.Ct. at 405. Plainly, plaintiff abandoned its improper practice by January 8, 1973."

*Id.* at 706. Having found the misuse purged, the court then

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went on to apply the exhortation of *Gray, supra,* which urges that in devising a remedy for patent misuse, a court should take pains neither to reward the plaintiff for its misuse nor to put a premium on the defendant's wrongdoing. *Id.* at 706. It is to be noted that the *Gray* case came into play only subsequent to the court's finding that the misuse had been purged.

2. *Morrill* v. *Automatic Industries, Inc.*

In *Morrill* v. *Automatic Industries, Inc.*, 93 F. Supp. 697 (W.D. Mo. 1950), plaintiffs brought suit against Automatic Industries, Inc., for infringement of a patent for a rotary side delivery rake, used for raking cut hay and other grasses into windrows. The court found that plaintiffs' patent was valid, and that the patent had been infringed by the defendant. Automatic Industries defended on the ground that plaintiff had so misused their patent rights as to have disqualified themselves from seeking equitable relief on the patents. The court found that the claimed misuse had been purged January 1, 1950, some nine months before the court rendered its opinion, and held plaintiff entitled to recover damages for infringement. The manner in which the alleged misuse was purged is described by the court at page 712:

> "Before closing the evidence herein, plaintiffs introduced in evidence documents revealing a modification of the above Crowe license, effective as of January 1, 1950, and deleting therefrom all matters which defendant contends establishes said license agreement as being against public policy and a misuse of patent rights. As so modified, said license agreement is no longer subject to the contention defendant makes against the provisions of the original Crowe license."

The court specifically found the holding in *Morton Salt* inapplicable, but this finding was made only after the court

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had previously held that the patent misuse had been purged as described in the passage quoted above.

3. *Sylvania Industrial Corporation* v. *Visking Corporation*



In *Sylvania Industrial Corporation* v. *Visking Corporation*, 132 F.2d 947 (4th Cir. 1943), the controversy centered on four patents of the Visking Corporation which related to artificial sausage casings. On April 3, 1941, the patents were found valid and infringed, but the district court initially denied relief to the plaintiff patent owner on the ground that plaintiff had attempted by its method of doing business and by improper use of the patents to secure a limited monopoly in unprinted regenerated cellulose sausage casing, an unpatented material. In subsequent supplemental proceedings the plaintiff offered evidence that satisfied the district court judge that it had purged itself of its illegal conduct. Therefore, on March 13, 1942, the district court filed an interlocutory decree holding that the plaintiff had by May 12, 1941, purged itself of misuse, and holding further that the plaintiff was entitled to an injunction against future infringement and an accounting from that date for past infringement. Once again, relief was granted on the patent only after a showing that the misuse had been purged.

## IV. CONCLUSIONS BASED ON APPLICABLE CASE LAW

There is one feature that stands out quite clearly in all of the cases urged by plaintiff as supporting the theory that plaintiff is entitled to pursue its cause of action despite the finding of misuse. This feature is that in all three cases cited by plaintiff and analyzed above (III.B.), the party as to whom a finding of misuse had been made was allowed to pursue relief only after the court found the

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misuse purged. Equally clear are the holdings of the Supreme Court in *Morton Salt* and *B. B. Chemical* which

stand for the proposition that where misuse is found to exist and remains unpurged, a court will deny relief to the party guilty of misuse, and that dismissal of the cause in such instance is proper.

However, the Court cannot agree with defendants that dismissal is required. The net effect of the caselaw set forth by the parties on this topic is, in the opinion of the Court, to make dismissal legally proper, but not required where some alternative route will have the effect of denying the misusing party relief on the patent and, at the same time, offer some advantage in the form of judicial efficiency or justice to the parties. One possible alternative of this sort would be a stay of the case following a finding of unpurged misuse. Such a stay would normally include a moratorium on discovery so as to deny the misusing party relief. While the parties have not cited, nor is the Court aware of, any cases in which dismissal did not follow a finding of unpurged misuse, the Court believes that the use of such a remedy, where it accomplishes the purposes expressed in *Morton Salt, supra,* is in keeping with the traditionally flexible nature of equitable remedies.

## V. FACTORS IN COURT'S DECISION TO DISMISS RATHER THAN TO STAY THIS ACTION

The Court, after careful consideration of the applicable caselaw, the briefs of counsel and the facts of this case, has opted to dismiss this action rather than stay it. Several factors entered into the Court's thinking in arriving at this result. First, there has been no attempt by the plaintiff to show that it has purged or will purge itself of its misuse of the patent. On the contrary, plaintiff

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has steadfastly refused to issue licenses or take any action which this Court might interpret as an attempt to purge.



Thus, there can be no motive to stay based upon a purge of misuse being either in process or imminent. Secondly, any damages to plaintiff are merely speculative at this point since damages for infringement are not available during a period of misuse. *Sylvania Industrial Corp.* v. *Visking, supra* at 957. It is clear that improper use does not invalidate a patent, and that if a patent owner purges himself of the misuse he may then enforce his patent and recover damages for infringement occurring thereafter. *Novadel-Agene Corp.* v. *Penn,* 119 F.2d 764, 766-67 (5th Cir. 1941). However, in the case at bar, any purge is likely to involve the issuance of licenses to defendants, thus precluding the possibility of further infringement since defendants would then be using the patents in accordance with the license. Even assuming that plaintiff after purging itself of misuse could assert a claim to relief, plaintiff will not by the dismissal be left without remedy, since plaintiff may after pudging itself of misuse come in and re-file. *Novadel-Agene Corp.* v. *Penn, supra.*

Third, both parties have clearly indicated to the Court their wish and intent to appeal this case. Both parties have submitted motions requesting the Court to certify the case for appeal; under 28 U.S.C. § 1292(b), which governs appeal of interlocutory matters. One of the requirements for certification under section 1292(b) is that an immediate appeal may materally advance the ultimate termination of the litigation. Both plaintiff and one of the defendants have in the course of urging this Court to certify under section 1292(b) represented to this Court that a holding by the Fifth Circuit Court of Appeals on the question of misuse is

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likely to dispose of this case either entirely or almost entirely, whether the Court of Appeals affirms or reverses the

holding of this Court. (*See* Plaintiff's Memorandum, filed September 17, 1976, p. 3; Memorandum of Defendant Helena Chemical Co., filed September 13, 1976, p. 5). Assuming these representations to be correct, there would seem to be no advantage in staying the case. Additionally, dismissal of the complaint will allow plaintiff to proceed immediately with a direct appeal in this case, rather than forcing plaintiff to attempt to bring itself within the purview of section 1292(b) in order to obtain review of this Court's unfavorable (to plaintiff) ruling on the issue of misuse. The totality of the foregoing factors in combination with the applicable caselaw lead this Court to conclude that the interests of justice and of judicial efficiency are better served by a dismissal, rather than by a stay of proceedings, in this case.

## V. CONCLUSION

For the foregoing reason, defendants' motion for reconsideration of the Court's decision not to dismiss plaintiff's complaint is granted; and plaintiff's cause of action should be, and it hereby is, dismissed. Such dismissal is without prejudice to plaintiff's right to re-file upon sufficient showing that it has purged its misuse.

All other pending motions are denied as moot in view of the dismissal.

In regard to this Court's Memorandum and Opinion of August 10, 1976, the portion of that Opinion, V.B., in which

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this Court declined to dismiss is hereby withdrawn, and the instant discussion and ruling are substituted therefor.



DONE at Houston, Texas, this 23rd day of November 1976.

/s/ Carl O. Bue, Jr.
Carl O. Bue, Jr.
United States District Judge

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**FOOTNOTE**

[1] The Court now notes that the circumstances surrounding the finding of misuse by the district court in *Gray* were in significant contrast to the circumstances in the instant case. Here the parties have agreed that there are sufficient facts upon which to render a summary judgment and have stipulated to those facts for the avowed purpose of enabling this Court to render a decision as a matter of law on the issue of misuse. (Plaintiff's Memorandum, filed September 17, 1976, p. 1). It was in response to these activities of the parties that this Court's order of partial summary judgment on the issue of misuse was entered on August 10, 1976.

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## PATENT LAW CODIFICATION AND REVISION

AFTERNOON SESSION

The committee reconvened at 2 p.m. at the expiration of the recess.

Mr. BRYSON. Come to order, please.

Captain Robillard, will you come forward, please?

## STATEMENT OF CAPT. GEORGE N. ROBILLARD, UNITED STATES NAVY, APPEARING FOR THE DEPARTMENT OF DEFENSE

Captain ROBILLARD. Mr. Chairman, I only want to take about a half minute. Yesterday I discussed the eight suggestions the Department of Defense had to make, but I failed to note in the record that we otherwise approve the bill.

Mr. BRYSON. Thank you so much. When you say "we" whom do you mean?

Captain ROBILLARD. The Department of Defense approves the bill.

Mr. BRYSON. You speak for all three of the branches?

Captain ROBILLARD. I am representing the Department of Defense — the Army, Navy, and Air Force.

Mr. BRYSON. We are glad to see that they finally are coordinating.

Captain ROBILLARD. It happens occasionally.

Mr. BRYSON. Mr. Rich, we spoke to you informally before the noon hour. Will you come forward, please, and identify yourself for the record? Give your name and in what capacity you appear.



## STATEMENT OF GILES S. RICH, ESQ., NEW YORK, N. Y.

Mr. RICH. Mr. Chairman, my name is Giles S. Rich and I am from New York. I am a practicing patent lawyer and have been in practice for 21 years. I appear here as a member of the advisory committee of the Coordinating Committee of which Mr. Ashton spoke in his testimony.

As you will recall he also stated that I am and have been a member of the drafting committee which assisted in the preparation of the suggestions which the Coordinating Committee submitted to the counsel for your committee.

Mr. BRYSON. Do you have a prepared statement?

Mr. RICH. I do not have any prepared statement.

Mr. BRYSON. All right, sir; you may proceed.

Mr. RICH. I have been asked to address my remarks to section 231, which is the infringement section of this bill. I should perhaps explain why I should be selected to deal with this particular part of the bill. I am, of course, very familiar, due to my activities on the Coordinating Committee, with the very great amount of work which has gone into the entire bill on the part of the committee counsel and the Coordinating Committee and all of the associations which worked independently and sent the fruits of their labors to the Coordinating Committee.

I also know, of course, how the labors of the Coordinating Committee commenced on the basis of your committee print which was prepared after studies of all the legislative proposals of the past 25 years.

The infringement section, however, has perhaps received even more consideration than any other part of the bill. As Mr. McCabe pointed

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out to you this morning, much of section 231 is based upon

two prior bills which were considered in two previous Congresses — H. R. 5988 of the Eightieth Congress and H. R. 3866 of the Eighty-first Congress. Those bills dealt specifically with a subject which your reporter has recorded in reporting the testimony of these hearings as contributory fringe.

Mr. BRYSON. With the fringe on top.

Mr. RICH. I can also recall having made a valiant effort to explain in previous hearings on one of those bills what the difference was between contributory infringement and contributory negligence. Somebody wanted to know who contributed to what. So perhaps I should state at the outset that wherever there is contributory infringement there is somewhere something called direct infringement, and to that direct infringement someone has contributed. It is a very different thing from a concept like contributory negligence. And it is an old doctrine that has been in the law for some eighty-odd years.

In 1897 in a well-known case, *Thompson-Houston Electric* v. *Ohio Brass* (80 Fed. 712), the then Judge Taft said of this doctrine:

> If this healthful rule is not to apply to trespass upon patent property, then indeed the protection which is promised by the constitution and laws of the United States to inventors is a poor sham. Many of the most valuable patents are combinations of non-patentable elements and the only effective mode of preventing infringement is by suits against those who, by furnishing the parts which distinguish the combination, make it possible for others to assemble and use the combination and who, by advertisement of the sale of such parts and otherwise, intentionally solicit and promote such invasions on the patentee's rights.

Now, Judge Taft was on very sound ground in making those statements.

Mr. BRYSON. That was Judge William H. Taft?

Mr. RICH. Who was subsequently President of the United States.



Mr. BRYSON. Was he Chief Justice then?

Mr. RICH. At that time he was on the Circuit Court of Appeals, I believe of the Sixth Circuit.

Mr. BRYSON. We frequently hear his name, or the family name, mentioned here on Capitol Hill now.

Mr. RICH. Coming specifically to 231, which I have called the infringement section, it seems to me that this is a codification of the finest kind. It does not deal exclusively with contributory infringement, but with the whole subject of infringement which is a logical part of any codification of the patent laws. You will observe that it begins with section (a) in which infringement generally is for the first time set forth in any patent statute. The laws that we have now say nothing whatever on the subject of infringement. They simply create a right and leave it to the courts to enforce it. But section (a) deals specifically with the matter and says what shall be infringement. That, of course, is direct infringement, which is the making, using, or selling of the patented invention without permission.

Then if you go over to section 241, in the next subsection of this bill, you will find it states what remedy the patentee shall have in case of infringement. So it is a very neat and logical arrangement.

Now, the origins of the rest of 231 are to be found in these two previous bills which I mentioned. And I will not go into great detail about them, because the hearings were published, and I presume it was because I testified at some length on both of those bills that I was

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asked to deal with the subject here today. Paragraph (b), (c), and (d) can be compared with the old bills in this fashion: Paragraph (b) of H. R. 3760 comes from the first section of the old bills, which had no number, and provides

that any person who shall actively induce infringement of a patent shall be liable as an infringer.

In the old bills section 2 was purely introductory, and then we had sections 3 and 4. Now, those sections have been very neatly combined by your own committee counsel into the single section (c) of the present bill. We previously had a positive statement coupled with negative statement looking at the opposite side of the situation, and your counsel felt that that was an unnecessary thing to do. You could just as well say what it was and be done with it. And it has turned out very nicely.

Section (d) comes from section 5 of the old bills and deals with a topic which has come to be known in the patent law as the misuse doctrine, and I will have something to say about that in a moment.

I would like to say why I think this is codification of the finest kind. We do have in the law the doctrine of contributory infringement at the moment. In the last case in the Supreme Court, by which some people think the doctrine was abolished, it was actually specifically recognized by the Court. Only they said they couldn't apply it.

On the other hand, we have the conflicting doctrine called the misuse doctrine, and we have to deal with both of them if we are to tackle the problem at all.

In the cases known as the Mercoid cases the doctrine was to a large extent upset and rendered obscure. In the course of testimony on these previous bills it became unquestionably clear that there was a great deal of disagreement about the state of the law. How much contributory infringement do we have? Do we have any? The very decisions out of which this confusion arose, the Mercoid cases, show that there is confusion because the Mercoid case was decided by a divided Court in a five to four opinion, and the Court



managed to render five separate opinions. There was one majority opinion by Mr. Justice Douglas in which Justices Stone and Rutledge concurred. There was a separate concurring opinion by Justices Black and Murphy and there were three separate dissenting opinions, the first by Justices Roberts and Reed, the second by Justice Frankfurter, and the third by Justice Jackson.

That opinion itself left things in a rather confused state.

Now, it was not an easy task for even the experienced members of the patent bar to take this situation and try to clarify it and codify it because the courts had not laid down any clear-cut line. That is the problem with which we wrestled. What we have been trying to do all along is to pick a sensible line in accordance with public policy as it seems to exist today, and to make it as clear as we possibly can. And that I think we have done within the limits of the English language. You cannot deal with situations which are, of necessity, going to vary and make language so clear that it is beyond any interpreting at all. That is what we have courts for.

But I think with all the work that has been done in the course of these 4 years since the introduction of the first bill on contributory infringement, that we have come up with a solution which suits practically everybody.

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Now, I do not want you to get the impression that this is a controversial matter. I think the fact that at the last Coordinating Committee there was practically no controversy at all should carry a lot of weight. There was much discussion about a couple of changes of language. I don't think there is any question whatever about the desirability of dealing with this subject, and trying to clarify it, because nobody could say that they do not want the law

made as clear as possible except those elements of society whose interests it is to keep things in a state of confusion.

Now, as to our solution, I think that if anything, it is on the ultra conservative side. This language has grown over the course of 4 years into a condition which has met with almost unanimous approval by the patent bar. It has taken a good deal of educating, it is a difficult concept to come to grips with. They call patent law the metaphysics of the law, and I would say that this contributory infringement business is the metaphysics of patent law. That is one reason I do not intend to go into it here today.

Mr. BRYSON. So it is the metaphysics of the metaphysics.

Mr. RICH. It is the meta metaphysics, beyond the beyond, you might say.

Mr. CRUMPACKER. Mr. Chairman?

Mr. BRYSON. Yes, sir.

Mr. CRUMPACKER. We have received protests from manufacturers of replacement parts for such things as automobiles, farm tractors, and the like, who evidently feel that the language used in this H. R. 3760 would make them contributory infringers of patents on the original article, the tractor or something of that sort.

Would you care to state your views on that subject, Mr. Rich?

Mr. RICH. Those were the most vociferous objectors to the old bills on the subject. Whether or not they would be liable would depend on the facts in each particular case. And I think that the best way to clear that up is to take up section (c) and deal with the matter specifically and point out to you the limitations that are there, which have to be met before anybody is held liable, and then leave it to you to decide whether a parts supplier should be held



liable or not, depending on the kind of a part he may be supplying.

If the part he is supplying is in substance the very thing which was invented, it seems to me personally, that he is an infringer, and he should not be let off on some little technicality that there is something minor in the whole apparatus that he is not supplying.

Mr. CRUMPACKER. Now, to take specific examples, I presume that an automobile, a complete automobile, is not now and has not been for a good many years subject to a patent, although there may be some component parts which are covered by patents.

Mr. RICH. That is correct.

Mr. CRUMPACKER. Now, say you manufacture something like a crankshaft or a king pin or a spindle or spring or some item like that, for an automobile which in itself is not patentable, and the item itself is also unpatentable. How could there by any infringement of a patent? That is something I do not understand.

Mr. RICH. I don't either, because if the item itself is not patentable ——.

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Mr. CRUMPACKER. If neither the component part or the machine it goes into is patentable, I do not see where there could be infringement.

Mr. RICH. Neither do I.

May I read section 231 (c):

> Whoever knowingly sells a component of a patented machine, manufacture, combination or composition, or a material or an apparatus for use in practicing a patented process —

and note the next phrase—

constituting a material part of the invention —

that means part of the inventive contribution that the patentee made, something new that did not exist before that came from him, and that is an important limitation which is in here which was not in the old bills—

especially made or especially adapted for use in an infringement of such patent —

another prerequisite—

and not a staple article or commodity of commerce suitable for substantial noninfringing use shall be liable as a contributory infringer.

I think that you would agree with me that just from the reading of that it is evident that that is an exceedingly restrictive provision.

Mr. CRUMPACKER. Could you cite me some specific example of what would be a violation of that?

Mr. RICH. Yes. With great pleasure I would like to give you what I believe is the latest case on this whole subject, for which I am indebted to our colleagues in Chicago. This is an oral opinion by Judge Barnes handed down on the 28th of May of this year in the case of Amalgamated Dental Co. against the William Getz Corp. in the United States District Court of Illinois, Eastern Division.

The patent involved in this litigation is No. 2,249,694, and it is for material for taking dental impressions.

Now, just let me explain generally what this patentee invented. You have all had the unpleasant experience of getting impressions taken with hot wax which makes your mouth burn, and with plaster of Paris which has to be knocked to pieces to be removed, and this patentee decided that he would produce a material which would set without either heating or cooling, and which would be elastic so that it could be removed without pain. And he succeeded in doing so, and apparently this is now a successful business



The invention is claimed in two different ways: It is claimed as a method and it is claimed as a material. The court in its opinion talks mostly about the method, but from a brief quotation from the opinion you will clearly gather the nature of the invention.

Or, perhaps it would be more clearly set forth if I read you one claim to the method:

Claim 1 of the patent says:

Method of forming a material for taking impressions which comprises mixing calcium sulphate with an aqueous solution of an alginate to form a stiff elastic gel.

Note the words "aqueous solution."

Mr. BRYSON. That is very plain.

Mr. RICH. In this method there is water involved, and likewise with the material claims an aqueous solution is called for. Other chemicals apparently could be added to this mixture which these

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claims I read describe in the simplest form, and you will see them mention in the opinion which says as to the defendant's contention:

Now, here it is said that the method set forth in the patent in suit involves the use of water; that the plaintiffs, owning the patent, sell, generally speaking, sodium alginate, sodium carbonate, calcium carbonate and anhydrous calcium sulphate, or their equivalents and thereby grant licenses to —

I assume that is it—

thereby grant licenses to dentists to use the method of the patent, which involves the use not only of those four chemicals sold, but also water, and thereby the plaintiffs are misusing the patent since they do not sell water — they are selling an unpatented article.

This is a fine contention under the Mercoid case. I would make it myself if given an opportunity. Anything recited in a patent claim which is omitted avoids infringement. That is a very old and well-established rule. And these

claims include water in the expression "aqueous" and the omission of the water avoids infringement, at least direct infringement, and you have to rely on the doctrine of contributory infringement, although this case does not mention it by name.

Judge Barnes says:

I decided the Mercoid case in the district court and I held the patent was misused there, and I decided the so-called Lecithin case, and that was another misuse case, and I held misuse there, and I am not unfamiliar with these doctrines —

but when he comes to this case, he says,—and this shows you the trouble the courts are having today:

Now, I do not see the wrong in this case which I saw very clearly in the Mercoid case, and likewise saw very clearly in the Lecithin case.

And now for the students of jurisprudence he says:

And since I do not see the wrong, of necessity, it is presented to me to find out some reason why I do not see it. And I guess the best reason which has been suggested is the water referred to in this patent is just an environment. I guess that is as good a reason as anyone can suggest. I do not see why it is not valid.

And at any rate it would seem to me to be absurd — it would just be reducing a very excellent rule to an absurdity — to say that this plaintiff is misusing its patent because every time it sells a mixture of sodium alginate, sodium carbonate, calcium carbonate, and anhydrous calcium sulfate, or their equivalents, it does not also sell a little water. I think that would be reducing the rule to an absurdity.

And, as I say, the best reason that has been suggested to me as to why the rule does not apply is that the water just constitutes the environment in which these chemicals perform.

At any rate, I do not think there has been any violation of the rule laid down in the Mercoid case.

Logically, he cannot get around the Mercoid case. What he says in effect is: "Let's throw the water out of the claim and treat the claim as though it did not have any water in it, and then we have a case of direct infringement, and we do not have to worry about the Mercoid rule."



That is the same sort of problem that hits the courts regularly every time they get a fact situation of this kind, and now they decide one way and now they decide another.

Mr. CRUMPACKER. Another example that occurs to me. That is the jet aircraft engine. I understand that most of the basic features of these engines are covered by English patents. I do not think

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any trouble will come up over it, inasmuch as assignments or agreements have been made for the use of the patent. I suppose if you were asked a question concerning some nut or bolt used in a jet aircraft engine, you would say that that is not an essential part or basic part, nor is it a key to the basic invention, so therefore the manufacturer of the nut or bolt would not be guilty of contributory infringement.

But, take for example the fuel-metering device which is manufactured by the Bendix Aviation Corp. Now, that, I would judge, would be awfully hard to say was not a basic part of the invention, because it was one of the key things that had to be developed in order to make a jet aircraft engine work.

Now, the Bendix Aviation Corp. may have a license on some of the British patents, too, but supposing they developed a jet fuel-metering device that was substantially different from any previously existing, and sold that to manufacturers of jet engines. Would they possibly be guilty of contributory infringement?

Mr. RICH. You have posed, sir, a very complicated question, which may be answered either way, and I am not trying to dodge the issue. But if the patentee invented the very fuel-metering device which Bendix chooses to manufacture without a license —

Mr. CRUMPACKER. That would be a direct infringement, of course.

Mr. RICH. But if this fuel-metering device is claimed in the patent in some language which says in combination, a combustion chamber which was old, a metering device of a specific character, and so forth, then the defense is, well, we do not sell combustion chambers, we only sell the metering devices, and knowing somebody else is going to put them in the combustion chamber, I would say perhaps it should be held to be an infringement.

But you have got to go into the facts, and the court has to go into the facts, and it is a question of whether it is a case like the first contributory infringement case that ever was decided, the old kerosene-lamp case, or whether it is like some of the other early cases.

Now, just let me give you two examples: You know what a kerosene lamp looks like, with a globe to hold the oils and the brass works and the glass chimney.,

And in the first case, which is discussed in the previous hearings on the contributory infringement bills, the invention was in the brass works; they were sold, I believe, attached to the base, but without any chimney, and the claim in the patent included a chimney as a positive element. The defendant sold lamps without chimneys too, just the way the plaintiff did, and the defense was: "We don't infringe because your claim includes a chimney."

And the court said never mind this technicality, this is virtual infringement because when this lamp is sold there is a certain inference that somebody is going to put a chimney on it.

On the other hand, one of the next cases that came along, which is the first one in which the words "contributory



infringement" were ever used, the device which was sold was a little relay which could be used in all sorts of places. And there was no proof connecting the sale of this relay with any direct infringement, and for that reason the plaintiff did not prevail. But even if there had been some such proof, it was still a common article of commerce, let us say, and many

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cases came along later dealing with articles of that kind holding that to let a patentee control the sale of common articles such as stove pipe and sheet iron and nuts and bolts would be too great an interference with trade and should not be tolerated.

This thought goes back to the very earliest days. It was lost sight of in the gay nineties, this doctrine became greatly inflated, it was greatly abused, the courts justifiably cracked down on it. The whole situation got a bad smell, and in due course, this new doctrine of misuse was evolved which sort of counteracted it, and we are today left with a dilemma which we are trying to straighten out.

Mr. CRUMPACKER. I was merely citing those examples to try and clear up my own thinking on the application of this section.

Mr. RICH. Well, in each case you would have to look at the details and see what was invented, and in effect whether the alleged infringer is appropriating somebody else's invention, or whether he is not. And the one thing we have definitely tried to do is to exclude the people who sell common articles of commerce, staples, things that had nothing to do with the invention, nuts, bolts, cement, sand, nails, lumber, even things especially adapted, as Mr. McCabe pointed out this morning, to fit things into other people's apparatus, unless they are a material part of the invention.

And I think that Mr. McCabe has overlooked the fact that we have added those words to this statute.

I would just like to say a word about paragraph (d) of section 231.

Mr. ROGERS. Before going to that, may I make inquiry concerning section (c) of 231.

Do I understand that that is just an attempt to clarify what the judicial decisions have said constituted contributory infringement?

Mr. RICH. I could not say, sir, yes or no, because the judicial decisions have said so many different things at so many different times.

Mr. ROGERS. That is the point I am getting at.

Mr. BRYSON. There are many of them in controversy.

Mr. RICH. This field of patent law is the only one I know of in which the Supreme Court has specifically overruled itself.

Mr. ROGERS. That leads to the next thing.

Mr. RICH. That means that when you ask me a question like that I have to say: Of what period of time are you speaking?

Mr. ROGERS. This committee was given some information to the effect that this bill was merely a restatement of statutory law plus common accepted interpretations of the Supreme Court or higher court decisions, that in its nature, the entire bill should not be a controversial one. And we come to the question of infringement of patents, as set forth here in section 231, and we recognize that the law before was: That he who does infringe shall be liable under the court decisions, which takes care of section (a) as I understand it of 231.



And then (b) is one who induces another to infringe, why, he is liable as an infringer.

And under (c) we have, as you have testified, and many others, some decisions of the court that reached to a contributor. That is, one who sets about as you demonstrated, and in many other instances, to get around — let us put it point blank — that many people sit around and try to arrive at some manner and method in which to get around a patent.

Mr. RICH. May I say that section (c) does not primarily deal with that particular kind of a situation, it deals more with a situation

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where the economics of the industry is such, perhaps, that the invention is not sold in the form in which it is claimed in the patent; it is sold in a slightly incomplete form like the lamp without the chimney, so that there is a technical defense based on the omission of something mentioned in the claim. As in this O'Donnell Moulding Material case, the stuff was sold in the package as a dry powder which the dentist mixed up with water, but the water was included in the claim. So it was not an attempt by anybody to avoid infringement, it was a situation in which the patentee found it practically impossible to enforce this patent unless he could proceed against somebody who was not technically a direct infringer, but who was a person who did everything calculated to bring about the infringement.

Mr. ROGERS. In that instance he would be a direct infringer and not contributory. Is that not the case that you illustrated?

Mr. RICH. Not under the technical interpretation of the patent law. The reason is that the defendant who is doing

these acts is not making or using or selling the invention claimed in the patent, but something different.

Mr. Rogers. Some part of it.

Mr. Rich. And the minute there is any difference between what he is selling or making or using and the claim language, then it becomes something other than a direct infringement and you have to put a different label on it, and it is called contributory infringement. And the important thing that the courts all seize upon and the thing that makes all the trouble is that the thing which does not meet the terms of the claim becomes "an unpatented thing."

Mr. Rogers. I am not sure I follow you.

Mr. Rich. It is not covered by the claim, the claim doesn't fit. It is like a puzzle, you cannot put the one down on the other, and make them fit, there is a difference. The minute there is a difference, there is no infringement, therefore, you have to go after them under this doctrine of contributory infringement.

Mr. Rogers. Have you seen them go after the one who, according to this definition, knowingly, prepares the article — and this article is a material part of it — for the special purpose of using it to infringe the patent. You make all those requirements necessary in order that he may be guilty as a contributor.

Now, were you present yesterday when the Justice Department man testified?

Mr. Rich. I was not present, but I know the testimony.

Mr. Rogers. You know the testimony?

Mr. Rich. I have read it.

Mr. Rogers. You know their thinking in the matter. It



might lead to further antitrust violations, or monopolies. Have you any comments in that regard?

Mr. Rich. I do have comments on the statement, with which I do not agree with respect to its conclusions.

I do not agree that this section, if enacted, would extend the law of contributory infringement.

There again we have a point of view. If you take the point of view that there is no such things as contributory infringement today, then this bill would extend the doctrine by bringing it back into force to a certain extent. But as I remember the testimony of the representative of the Department of Justice on the second contributory infringe-

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ment bill, it was to the effect that the Supreme Court had not abolished the doctrine of contributory infringement, that it was still there for application in a proper case, and that is what we are trying to do in the bill, make sure it is there for application in the proper case.

Mr. Rogers. Then I take it from your statements, that there is some difference of opinion among those engaged in the practice of patent law as to whether or not the Supreme Court in its decisions has done away with contributory infringement.

Mr. Rich. There is a great difference of opinion.

Mr. Rogers. There is a great difference.

Mr. Rich. There is a great difference of opinion on the part of the bar and also apparently on the part of the judiciary, because down in the fourth circuit, in the case of *Florence-Mayor Nuway* v. *Hardy* (77 USPQ 439), the court

held the defendant liable for contributory infringement and said the Mercoid case did not apply, and that the proper rule was that of *Henry* v. *Dick,* which was the case which the Supreme Court overruled in the Motion Picture Patent case, when it reversed itself as I mentioned earlier.

That is what they did there, and in correspondence with the attorney for the winning party in that case, he said to me flatly, "Obviously the circuit court did not properly apply the Mercoid case, and I am sure that if we had gone up we would have been reversed."

Mr. ROGERS. Then in effect this recodification, particularly as to section 231, would point out to the court, at least that it was the sense of Congress that we remove this question of confusion as to whether contributory infringement existed at all, and state in positive law that there is such a thing as contributory infringement, or at least it be the sense of Congress by the enactment of this law that if you have in the Mercoid case done away with contributory infringement, then we reinstate it as a matter of substantive law of the United States and that you shall hereafter in a proper case recognize or hold liable one who has contributed to the infringement of a patent.

That is the substantive law that we would write if we adopted this section 231 as it now exists. Is that not about right?

Mr. RICH. That is a very excellent statement, and I am very glad that you made it, because the opinion of all of us in the patent bar is that this is a situation in which the decisions of the court have left us so much at sea that only Congress can solve the problem.

Mr. ROGERS. Now, I, like Mr. Crumpacker have had some letters and pose this question: They place an interpretation



on this to this effect: Suppose I were the manufacturer either through a special order or I had it in my regular order of business, maybe a staple article. Of course, if it is a staple article then it would not apply. But suppose he came in on a special order and told me that he would be using it, and by the use in a certain machine then I would have an obligation to go and ascertain whether or not it violated this patent or this machine that had been patented, and that that is an obligation that is placed upon me as the manufacturer and that never existed in the law before.

Now, could you enlighten us as to what obligation the manufacturer may have had to make an investigation of that situation prior to the Mercoid case or afterward?

What I mean by that is: Did he, prior to that time, lay himself liable as a contributory infringer prior to the Mercoid case or had his status changed any by the Mercoid case, or would that depend upon

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the interpretation that you have illustrated here, that one set of members of the bar say that it has done away with contributory infringement and the other says that it has not. And this is just merely for the purpose of trying to clarify it. But in the clarification, does it place the manufacturer of these articles under any greater handicap than he had before if this was passed as a law?

Mr. RICH. I don't think it places him under any greater handicap than he was under for a long time.

As I suggested, in the old days, back before 1917, say, there was a contributory infringement doctrine which really flourished. Almost anybody who made any part of a patented

invention, especially an element of a combination, might be held liable. And business lived with this for 25 years without much trouble. I don't think he is under any greater handicap than every businessman is under in taking the risk of infringement every time he makes anything.

There are ways of finding out, and he is certainly not terribly handicapped when he has to go and do this knowingly. He has to know what he is doing this for, and then if he is doing it knowingly, he only has to consult his counsel as to whether what he is supplying constitutes a material part of the invention, and so on, complying with the rest of (c). And this is an ultra conservative type of contributory infringement. You have to balance the equities in this situation. It puts a little hardship on some businessmen to find out what their patent was. But on the other hand, remember this: there may be twenty or thirty percent of all the patents that are granted that cannot practically be enforced against direct infringers because of the nature of the invention and the way it is claimed in the patent.

Like this dental compound, it is simply not feasible to go around the country suing every dentist who buys a package of this stuff, and the practical way to give the patentee some way to enforce this patent right that he has been given is to let him go after the brains of the enterprise, the person who is really responsible and not the innocent end user.

Mr. ROGERS. Well, I take it, then, that this would include the chemicals that you are talking about, that are necessary in a dental case, that if I manufactured one of them, and Mr. Crumpacker manufactured another and the chairman manufactured another, and you manufactured the fourth ingredient necessary to make this up, we are engaged in a



business, probably making that particular chemical which we call a staple article.

Now, by virtue of the fact that the man has the patent on it, the rest of the world, if they want to, can go down here to the Patent Office and see that combination, and suppose that Mr. X then sees that combination and he then comes to me and the other manufacturers and buys in large quantities and proceeds to infringe the man's patent, and we know that when he buys it, that he is going to use it for that purpose.

Mr. RICH. You and each of you, it seems to me, are beyond question, specifically excluded by the language of paragraph (c).

Mr. ROGERS. Because we have a staple article or ——

Mr. RICH. Yes; because what you are selling is not a material part of the thing which was invented, which was a combination of chemicals which has to be brought together from the ordinary sources of those chemicals.

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Mr. ROGERS. But here, I as the manufacturer — it may be a staple article and it may not — but I as a manufacturer of a certain part, have it to sell, and as I have pointed out the other four would have certain parts of it to sell, and in fact the man comes in and tells us what he is going to use it for. We then would knowingly sell him a component part of a thing that we know he is going to use to infringe a patent.

Mr. RICH. But you are still excluded because it is a staple. Either it is a staple or it is just a commodity of commerce, which has some other substantial noninfringing use.

Mr. Rogers. Yes.

Well, then, you feel, when we sell a staple article or commodity of commerce, that any who have engaged in the business of handling those things although we know the individual who purchased it is going to infringe a patent, that there would not be any liability on us, although we may have especially prepared that, or knew that it would be especially adapted for that purpose, that that would relieve the manufacturer from it?

Mr. Rich. I definitely do so feel. We definitely wrote this language to take care of the very situation which you have given us as an example: The chemical manufacturer who makes chemicals to order, knowing what is going to be done with them or not knowing what is going to be done with them. One of the worries of the chemical manufacturer is that his customers come in any say, "Make us up so-and-so, according to this description, and we won't tell you what we are going to do with it; it is none of your business."

Mr. Rogers. Well, then, changing the subject for a moment, do you think that the adoption of section (c) of this section 231 will lead back to the practice that existed as I believe you said, back in 1914?

Mr. Rich. Well, not that far back. You cannot compare it to a definite era, but it would alleviate the confusion which has arisen as a result of the Mercoid case. This whole misuse doctrine began in 1932, I believe, in the Carbice case, where the dry ice was involved, and it would not touch the result of the Carbice decision.

There would be no possibility under this section of utilizing the patent to monopolize the sale of dry ice which was a staple article of commerce, or a commodity of commerce



which had been known 80 years. It would still be misuse as in the Carbice case, even though this section were enacted.

Mr. Bryson. Have you finished, Mr. Rich?

Mr. Rich. I was about to make one remark on paragraph (d) when we became involved in this last discussion, and all I want to say about it is this: It deals with the misuse doctrine, and the reason it is necessary is that the Supreme Court has made it abundantly clear that there exist in the law today two doctrines, contributory infringement on the one hand, and misuse on the other, and that, where there is a conflict, the misuse doctrine must prevail because of the public interest inherently involved in patent cases.

Other decisions following Mercoid have made it quite clear that at least some courts are going to say that any effort whatever to enforce a patent against a contributory infringer is in itself misuse. The cases are cited in the old hearings. Therefore we have always felt — we who study this subject particularly — that to put any measure of contributory infringement into law you must, to that extent and to

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that extent only, specifically make exceptions to the misuse doctrine, and that is the purpose of paragraph (d).

It goes with, supports, and depends upon paragraph (c).

Mr. Bryson. We are very much obliged to you, Mr. Rich, thank you.

Mr. Rich. Thank you, Mr. Chairman.

Mr. Bryson. We will next hear from Mr. Fugate, of the Department of Justice. Will you come forward, please, and identify yourself for the record?

## STATEMENT OF WILBUR L. FUGATE, TRIAL ATTORNEY, ANTITRUST DIVISION, UNITED STATES DEPARTMENT OF JUSTICE

Mr. FUGATE. Mr. Chairman, my name is Wilbur L. Fugate, and I am a trial attorney in the Antitrust Division of the Department of Justice.

Mr. BRYSON. Do you have a prepared statement?

Mr. FUGATE. No, sir; I do not.

I just wish to amplify some of what Mr. Brown said yesterday.

Mr. BRYSON. Do you contemplate requiring much time?

Mr. FUGATE. No, sir; I do not believe so, particularly in view of Mr. Rich's comments.

I will address my remarks specifically to section 231, which he has just commented upon.

Mr. BRYSON. All right, you may proceed.

Mr. FUGATE. First, I wish to refer to the statement of the Department of Justice at the hearings on H. R. 3866 of the Eighty-first Congress, a former bill to enact this doctrine of contributory infringement into law, and in substantially the same form as this bill.

The doctrine of contributory infringement arose out of a common-law doctrine that one who aids another in committing a tortious act may find himself guilty of a tort.

One case, at least, has defined "contributory infringement" as the intentional aiding of one person by another in the unlawful making, using, or selling of a patented invention.



It has been settled that there is no contributory infringement without direct infringement. It has also been settled, as Mr. Rich stated, that the sale of a staple article of commerce to a direct infringer does not constitute contributory infringement, even though the seller of a staple article knows that it is to be used in direct infringement.

So much for contributory infringement on the one hand.

The other doctrine which Mr. Rich mentioned is that of misuse of patents which has a long history. It was perhaps given body in the Mercoid decision. The "misuse of patents," insofar as it has anything to do with contributory infringement, is the doctrine that one who has a patent may not license that patent upon condition that the purchaser may not deal in goods of another; or, in other words, that the purchaser purchase unpatented supplies exclusively from the patentee.

A similar doctrine has been written into law in section 3 of the Clayton Act.

Now, the Mercoid case merely held that the practice in that case was substantially similar to this "misuse" doctrine, or this "tie-in clause" doctrine which the court had formerly announced. In the Mercoid case the patentee and his exclusive licensee had engaged in

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the practice of selling an unpatented Stoker switch together with a license that the sale of the Stoker switch gave the purchasers a license to use a patented furnace assembly.

Then, in order to enforce that practice, the patentee sued suppliers of the unpatented Stoker switch for contributory infringement.

But, assuming that to be the law from the interpretations of the various court decisions, how does section 231 in any manner misstate that law or enlarge upon it and, if so, how?

Mr. FUGATE. I believe that it does. Sub-section (c) states that "whoever knowingly sells a component of a patented machine." Nowhere in subsection (c) is there any reference to knowledge that the component part is to be used in an infringing manner.

Mr. ROGERS. You think that the fact that it says "whoever knowingly sells a component of a patented machine" without also putting —

Mr. FUGATE. If that means that whoever shall sell a component part of a patented machine knowing that it will be used in a patented combination or something of that sort, why, I would think that it does state the present law. But I understood that Mr. Rich took the opposite view.

Mr. ROGERS. What I am getting at is that this section (c) says "whoever knowingly sells" and so on "for use in practicing a patented process, constituting a material part of the invention." Now, under that definition he has got to knowingly sell a component part knowing that it constitutes a material part of the invention.

Mr. FUGATE. That is why I am not clear as to the meaning. I am not sure that it means that.

In fact, as I understood from Mr. Rich, he doesn't think it means that.

Mr. ROGERS. As I understood Mr. Rich, he said that there were some who just felt that the Mercoid case did away with contributory infringement.

Mr. FUGATE. I don't believe the Mercoid case enters into this particular part. It may be a matter of language. At



any rate, if this means "whoever knowingly sells a component of a patented machine" knowing that it is to be used in an infringing manner, why, I believe it states the present law of contributory infringement.

Mr. CRUMPACKER. It is purely a matter of semantics, as I see it. That is, the "knowingly" refers to the fact that it is to be used as a component rather than to his selling of it.

Mr. FUGATE. That is the question that I raise; yes.

Mr. CRUMPACKER. Your objection is to the phrasing of the thing rather than to the substance of it?

Mr. FUGATE. It is to the language.

Mr. CRUMPACKER. To put it differently, if the language means that the "knowingly" refers to the use of the article as a component part in some patented thing, then you say that it correctly states the law.

Mr. FUGATE. I believe so.

Mr. CRUMPACKER. Your objection is that you don't think the language clearly indicates that that is what the "knowingly" is supposed to refer to?

Mr. FUGATE. Yes, sir.

Mr. BRYSON. It seems to me that if he sells it at all he knows he sells it.

Mr. FUGATE. He knows he sells it; but, as in this case that I mentioned, the cutter of the metal plate according to a special pattern

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didn't know that that was to be used in an infringing manner, that it was to be used in a patented combination.

Mr. Rogers. Inasmuch as you recognize that the law still gives a cause of action against the contributor who helps infringe, would there be any objection on the part of the Justice Department to clarify that law in definite words so that there would not be the confusion that the gentlemen have testified to? Or is the objection by the Justice Department to the fact that you are fearful that if this is in the law it may lead to monopoly and drive out those who may have the incentive to manufacture something new or comparable to the patented article?

Mr. Fugate. I believe we oppose it for both reasons. The Department objects to writing the doctrine of contributory infringement into the law. It is not particularly a patent doctrine. It arises from a common-law source. Therefore, it doesn't seem to have any particular place in the codification of the law of patents.

Mr. Rogers. You think that there is not a great deal of confusion among patent attorneys as to what constitutes contributory infringement; that is, more than as to what constitutes negligence in any ordinary damage suit, recognizing that it is impossible for us to write a rule of law for every rule of conduct of every individual?

Mr. Fugate. Yes, sir; that is the position.

Mr. Rogers. For that reason any attempt to do it would not cover the entire field, and if this particular field were covered in some manner it would lead people to violate the so-called antitrust law?

Mr. Fugate. Yes, sir. Our primary objection to section 231 is subsection (d); that is, the misuse doctrine. Now, at present under the Mercoid case, as I have stated, if there is misuse of patents, the patentee cannot recover either for direct infringement or contributory infringement.



Now, this section attempts to say that if there is contributory infringement the patentee may recover even though there is also misuse.

In other words, as I read the section, it would have the effect of wiping out a good deal of the law relating to misuse of patents, particularly with reference to tying-in clauses.

Mr. Rogers. As I understood Mr. Rich, it was to the effect that this subsection (d) only went so far as to say that it is a misuse of a patent and that they couldn't recover and that it didn't go ahead and also make a contributor liable; or does it?

Mr. Fugate. As I interpret section (d) it says that if there is contributory infringement the patentee may recover even though there is misuse. It says that if he seeks to enforce his patent rights against infringement or contributory infringement, that is, under 3 of subsection (d), reading from subsection (d), "The patentee shall not be denied relief or deemed guilty of misuse or illegal extension of patent rights."

Mr. Rogers. Do you think there is any possibility that the Justice Department and the coordinating committee can arrive at a solution of this problem at all so that you may remove the confusion that you say exists?

Mr. Fugate. I can't speak for the Department on that. I am sure that wherever there is a question of confusion in the law we are always willing to cooperate in any attempt to remedy it. We have taken the position that we don't think there is any confusion in the law in this



respect, and even so we would be opposed to doing away with the misuse doctrine in preference to the contributory infringement doctrine.

Mr. Rogers. In other words, you want the misuse doctrine to stand under the decisions as announced?

Mr. Fugate. Yes, sir.

Mr. Rogers. And you think that section (d) would change those decisions in certain respects?

Mr. Fugate. Yes, sir.

Mr. Rogers. And so far as you are concerned, you don't think that any confusion exists as to what constitutes contributory infringement under the present law?

Mr. Fugate. Yes. I might also say that I think this section comes under the heading of a controversial issue. I don't believe that it should be included in a codification bill.

Mr. Rogers. You say "controversial." As I understand the controversy, it is as to whether or not the Supreme Court still recognizes an action for contributory infringement. Now, you take the position that they still do recognize that and that there is no confusion as a result of their decisions.

Now, that is your position, is it not?

Mr. Bryson. Although a recent decision was decided by a 5 to 4 division of the Court from which came five separate reports, and that fact does not indicate that there is any confusion?

Mr. Fugate. That was the Mercoid case, I believe, which Mr. Rich had reference to and in which the opinions all agreed on the misuse doctrine.

Now, since that time the Supreme Court has affirmed the Mercoid decision in a number of cases.

Mr. Bryson. Would you list them, please, for the record?

Mr. Fugate. For one there is the *United States* v. *Line Material Co.*



Mr. Bryson. How was the Court divided in that case?

Mr. Fugate. I don't believe there was any dissent from the Mercoid case. That was 33 United States 287.

Another case is the *United States* v. *Paramount Picture* (334 U. S. 131).

I believe there are many others in which the Court cited the Mercoid case with approval.

Mr. Bryson. Are there any other questions?

Mr. Crumpacker. Yes. You say that the Department is opposed to this subsection (d)?

Mr. Fugate. Yes.

Mr. Crumpacker. In its entirety?

Mr. Fugate. Yes; I believe so.

Mr. Crumpacker. You mean to say that a patentee should be denied relief because he has previously sought to enforce his patent rights against an infringer?

Mr. Fugate. Not if he has been guilty of misuse of patents previous to that.

Mr. Crumpacker. It doesn't say that.

Mr. Fugate. It says —

no patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief for or deemed guilty of misuse or illegal extension of the patent.

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Mr. Crumpacker. And it names three things, the third of which is that he has sought to enforce his patent rights.

Mr. Fugate. Well, now, if that is applied generally, it includes a case where there is a misuse.

Mr. CRUMPACKER. Why?

Mr. FUGATE. Because it is all-inclusive. No one shall be guilty of misuse if he has sought to enforce his patent rights against infringement or contributory infringement. As I read it, you might also add "even though he has misused his patent."

In the Mercoid case, for example —

Mr. CRUMPACKER. It says that he shall not be deemed guilty of misuse because he has done one of these three things. It doesn't say that he shall be deemed not guilty of misuse because he has done this. I think you are reading it backward. That is, he may have done all three of these things and still be guilty of misuse, as I interpret the language.

Mr. FUGATE. That is not the way Mr. Rich interpreted it. As I understood his testimony, he said that where there was contributory infringement the doctrine of misuse would be limited, that it would be an exception to the doctrine of misuse. That is also the way I interpreted it.

Mr. CRUMPACKER. It seems to me that the language is clear, and it says that he shall not be denied relief or be deemed guilty of misuse because of having done any of these three things. It doesn't say the reverse of that, that because of having done these things he shall be deemed not guilty of misuse.

Mr. FUGATE. In the Mercoid case a suit for contributory infringement was part of the general plan of misuse of the patent. In other words, that was part of the plan of operation, the sale of the stoker switches which were unpatented with the license to use them in a patented assembly. That license was given only to purchasers of the stoker switches



from the patentee or his exclusive licensee. Any others were sued for contributory infringement.

Now, the Supreme Court held that that plan of operation was substantially the same as conditioning the licensing of a patent on the condition that the purchaser purchase unpatented supplies from the patentee.

Mr. ROGERS. You are objecting to section (d) because these three things indicate that if he should do any one of the three or all of them he could still recover. Subsection (1) says "derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent." Subsection (2) says "licensed or authorized a person to perform acts which if performed without his consent would constitute contributory infringement of the patent."

Subsection (3) says "sought to enforce his patent rights against infringement or contributory infringement."

Now, in the misuse of patents have they taken those three items as outlined there and said that that constituted misuse of a patent and as a result have denied the patentee the right to recover? Have they heretofore had decisions to that effect?

Mr. FUGATE. I believe you are reading into that or rather interpreting that as meaning that a patentee shall not be deemed guilty of misuse of patents merely because he brings an infringement suit.

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Now, if that is all it means, why, of course, the Department doesn't oppose it.

Mr. CRUMPACKER. Do you find anything intrinsically wrong in any of these three acts enumerated there? Is the

Department opposed to a patentee doing any of these three things enumerated in this paragraph?

Mr. FUGATE. As we read the section —

Mr. CRUMPACKER. Never mind the preamble. I mean just specifically those items enumerated, the three items. Does the Department consider any one of those acts as undersirable or contrary to public policy?

Mr. FUGATE. I do not believe you can read them without reading them in connection with the preamble. Of course, if you mean does the Department oppose a patentee suing to enforce his rights by either direct or contributory infringement action, of course, we do not oppose that. We have no objection to a patentee enforcing his patents.

However — and this is not only my interpretation — you have heard Mr. Rich interpret it as meaning that it makes an exception to the law of misuse of patents where contributory infringement exists. As I say, it is not only my own interpretation of the section.

Mr. ROGERS. If under the present law a man should do any one of the three things outlined in section (d), is he denied the right to recover because he may have performed one of those three acts?

Mr. FUGATE. Not in and of themselves.

Mr. ROGERS. What is that?

Mr. FUGATE. Not in and of themselves.

Mr. CRUMPACKER. How about a combination of the three or any two of the three?

Mr. FUGATE. Not having had any part in writing the language, I am not certain what it means. But I am convinced that upon Mr. Rich's interpretation and upon the



interpretation which the Department of Justice has placed on it, it does seriously impair the doctrine of misuse of patents in favor of the doctrine of contributory infringements.

Mr. ROGERS. In other words, the Department's attitude is that it should be the duty of the Court to ascertain whether or not there has been a misuse of the patent?

Mr. FUGATE. Yes.

Mr. ROGERS. Without the Congress saying that if he has misused it in these three separate items — well, I will put it this way: You do not feel that the Congress should say that if he has misused it in these three ways that he should thereafter be permitted to recover if the Court should decide otherwise?

Mr. FUGATE. Don't misunderstand me, that I think that any of these things in and of themselves are a misuse of patents. All I am saying is that if misuse exist the Court should be able to deny recovery on the ground of misuse of patents despite the fact that contributory infringement may exist.

Mr. ROGERS. Do you know of any instances where the courts have denied recovery where a patentee has performed, by virtue of the fact that the patentee has performed any one of the three acts?

Mr. FUGATE. Well, the Mercoid case itself was a case where the patentee was attempting to enforce his rights in an action of con-

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tributory infringement. Now, as I read this section, he would have recovered in that case, in the Mercoid case, under this section.

Mr. Rogers. If this section had been in the law expressed by Congress at the time the Mercoid case was decided, then by virtue of either one, two, or three, there would have been a recovery because it may have come within one of those?

Mr. Fugate. All the patentee was doing there was seeking to enforce his patent rights against contributory infringement. He was denied recovery for infringement because he was misusing his patent. But all he was attempting to do was to bring a suit for contributory infringement, and the Court assumed that that existed in that case.

Mr. Rogers. I may have misunderstood the Mercoid case. Wasn't it misuse because he was requiring the purchase of something for the furnace?

Mr. Fugate. That was misuse, and the misuse was sufficient to defeat recovery for contributory infringement.

Mr. Rogers. Do you think any one of those three items set forth in subsection (d) would fit into the Mercoid case in any manner?

Mr. Fugate. I believe so.

Mr. Crumpacker. I would like to make the observation that this is one of the few points in this bill where the language is clear and unequivocal, and it seems to me capable of only one interpretation, and that interpretation is entirely contrary to that which the Department seems to be placing upon it.

Mr. Fugate. I believe Mr. Rich placed the same interpretation upon it. I would like to ask him if that is his interpretation.

Mr. Rich, as you interpreted this section, it would make an exception of the misuse doctrine where contributory infringement existed?



## STATEMENT OF GILES S. RICH, NEW YORK CITY, N. Y.

Mr. Rich. I will agree with that to this extent: That as I testified it is necessary to make an exception to misuse to the extent that you revive contributory infringement in paragraph (c), and this whole section (d) is entirely dependent on (c). Where (d) refers to contributory infringement, it only refers to contributory infringement as defined in (c) and nothing more.

Mr. Crumpacker. In other words, all it says is that bringing an action against someone who is guilty of contributory infringement is not a misuse of the patent.

Mr. Rich. That is true. And there is a reason for this language. The reason is to be found in a decided case, *Stroco Products* v. *Mullenbach* (67 U. S. P. Q. 168), where a district judge out in California granted a motion for summary judgment of dismissal before trial on the ground that the complaint was merely an attempt to use the patents to maintain an unlawful monopoly of an unpatented article. The patent claimed a combination of elements for arc welding and the method.

The defendant sold control units for use in the combination and for practicing the method and furnished wiring diagrams, and advertised the use of his product.

Knowledge and intent on the part of the defendant were stipulated. He knew what his products were going to be used for. There was no evidence in the case whatsoever, there having been no trial, of any attempt to misuse the patent otherwise than by bringing the suit.

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The court dismissed the suit "according to the principles announced in Mercoid and for the reasons therein stated."

That is a clear case where merely bringing a suit against one alleged to be a contributory infringer was per se misuse of the patent. Now, that is about as far as the logic of the Mercoid decision can be carried.

Mr. FUGATE. The judge in that case had no trouble deciding that this was not misuse in bringing them to suit.

Mr. RICH. He held that the bringing of this suit was per se misuse. That was the end of it. You can't sue a contributory infringer — period.

There have been other cases like that. I have them here. *The Lincoln Electric Co.* v. *The Linde Air Products Co.* (80 U. S. P. Q. 59) is the same situation.

Mr. BRYSON. We have been getting along beautifully all during this hearing. It seems as though we have run into a period of confusion here. It might be like the judge down home of whom it was said that the more light you turned on him the blinder he got. That may be what has happened to the committee here. If you experts here in this particular field seem confused, imagine those of us who sit here and who have had no special training.

Mr. RICH. Mr. Chairman, you do not in the least surprise me; and if you have a minute it might help this committee and it might help the Department of Justice, if it is in an amiable mood, to know a little bit of the history of this section, which, as I said, came from those old contributory infringement bills.

The whole thing started in New York, not in Wall Street, but in New York where I come from.

Mr. BRYSON. Well, coming from the South, I would say that you come into court with unclean hands.

Mr. RICH. Now, we have a patent law association up there, as you have heard, which decided to tackle this problem of



contributory infringement after the Mercoid decision and propose some legislation.

We worked on it through the Patent Law and Practice Committee for about a year and a half to 2 years before any bill was proposed. The origin of this contributory infringement section was a proposal made by Mr. Robert Byerly, as the older hearings show.

It just happens that contributory infringement has been a hobby of mine since the Carbice case was decided about 1932. I wrote an article on it at that time, disclosing that I hadn't the slightest comprehension of what the court had done. Therefore, I shall not even cite it.

Since then I have learned quite a lot.

Mr. Byerly wrote a proposal which was in substance along the lines of paragraph (c) which revived contributory infringement and which was submitted to me and to other members of the committee. I said, "That is fine, but it won't work because the reason we don't have contributory infringement is that every time you try to enforce a patent against a contributory infringer, the court says it is misuse and throws you out."

Now, the funny thing about all of these misuse cases is that what the defendant does has nothing to do with the decision. It is never a question of whether or not there was infringement. They don't decide whether the defendant is guilty or not guilty, whether he infringed or didn't infringe.

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They say to the plaintiff, "You are a bad boy, and you came here with unclean hands. You will not have the aid of this court of equity."

Nobody realized that this had happened until a suit was brought first against a contributory infringer and lost,

whereupon the plaintiff's attorney said, "That is too bad, we will have to sue the direct infringer."

They sued the direct infringer, and the court said, "Too bad, you don't appreciate the ground of the earlier decision. It is the plaintiff's fault that he can't recover, not the defendant's, and it doesn't make any difference whom he sues."

Mr. ROGERS. Now, let me interrupt you there. I thought I asked the question whether or not the law gave a cause of action to the patentee against a contributor, one who contributes to the infringement, and I thought the answer was that in those cases they did have a cause of action. Now, was I wrong in getting that impression, that is, that there is an action, or that a cause of action exists at all where, in the proper cases, a man can contribute and be recovered against?

Mr. RICH. I can only tell you that they do, even today.

Mr. ROGERS. All right, that is my impression as to the answer that was given. Now, following that, the next question is this: Would the fact that you then institute a suit against one who has contributed to the infringement result in a court automatically dismissing it because you have instituted a suit?

Mr. RICH. I can only say that they do. It depends on what court you are in.

Mr. ROGERS. What was that?

Mr. RICH. It depends on what court you are in.

Mr. ROGERS. Well then, do they dismiss it, though, because the action has been stated?

Mr. RICH. Oh, no.



Mr. ROGERS. Or do they dismiss it because you have filed a lawsuit?

Mr. RICH. No. They dismiss it because in attempting to utilize the patent to cover something which it doesn't literally cover in its claims, you are thereby attempting to extend the monopoly which is contrary to public policy and constitutes misuse.

Mr. ROGERS. That would apply in all cases?

Mr. RICH. It can if the defendant's attorney raises the point and the judge is sympathetic. But if it is down in the fourth circuit where they are not sympathetic, they may just brush off a defense based on the Mercoid case.

Mr. ROGERS. Can you conceive of a set of facts whereby one may be an infringer and a patentee has not by any act of his performed an act that was contrary to public policy that would cause the court not to dismiss the lawsuit? Have we ever had a case of that character that you know of?

Mr. RICH. Not that I can recall specifically. The trouble usually is that the plaintiff is in business, and he has a patent which he thinks protects some aspect of his business. If he isn't in business at all and is just sitting there with a paper patent invention which has never been commercialized in any way, then he can hardly be guilty of unclean hands. That situation hasn't come up yet.

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Mr. ROGERS. As I understand so far, any action for contributory infringement has never been successful. Is that right or is it wrong?

Mr. RICH. The plaintiff has rarely recovered in an action for contributory infringement since the Mercoid case.

Mr. Rogers. Well, at any time before the Mercoid case?

Mr. Rich. Oh, yes, of course. This doctrine has been in the law, as I said, for 80 years, and many patentees have recovered against contributory infringers.

Mr. Rogers. All right, but since the Mercoid case have there been any recoveries?

Mr. Rich. Yes. In Florence-Mayo Nuway against Hardy, there was a recovery. That was in the Circuit Court of Appeals for the Fourth Circuit in 1948, I think.

In the Tenth Circuit in 1948, the case of *National Machine Works* v. *Harris* (79 U.S.P.Q. 350), there was a recovery.

Mr. Fugate. May I just read from that case Mr. Rich mentioned. Maybe it will clarify the issue a little bit. Judge Phillips said:

> It is urged that Gerner and National should have been denied relief under the doctrine announced in *Mercoid Corporation* v. *Mid-Continent Company* (320 U.S. 661). In the instant case Gerner and National are using the patent not to monopolize the sale of what is not patented, but to prevent Harris and Calhoun from infringing and aiding others to infringe what is patented, Harris and Calhoun would be guilty of contributory infringement.

That is one of the cases that I believe we cited in the last hearing as indicating that the doctrine of contributory infringement still existed.

Mr. Rogers. It does still exist, and Mr. Rich's thought is that if the man is ever engaged in business, since the Mercoid case, he may have committed some act that is contrary to public policy and the court would deny him relief because of that act.

Mr. Fugate. Now, that comes down to what the court decides is or is not the misuse of patents.

Mr. Rogers. Yes.



Mr. Fugate. Mr. Rich mentioned the Carbice case. The Carbice case, I believe, was the case in which contributory infringement was defeated, not from the misuse angle, but because the component part was really a staple article of commerce, and therefore it wasn't contributory infringement at all.

In fact, when the court in the Mercoid case refers back to the Carbice case, they say that the doctrine of misuse hadn't been enunciated at that time.

Mr. Rich. May I participate in this dialog which I greatly enjoy because I teach patent law?

Mr. Rogers. You probably have some apt pupils here.

Mr. Rich. Carbice was historically the first case of misuse, although the word is not used in that case. The reason for the decision in favor of the defendant is stated in these words:

> Relief is denied because the Dry Ice Corp. is attempting, without sanction of law, to employ the patent to secure limited monopoly of unpatented material used in applying the invention.

That is the key to that case. It was affirmed and explained again shortly thereafter by the same court, the same judge, in Lutch versus Barber, where they were selling asphalt emulsion for curing roads. There was a patented process for curing the roads, and the asphalt



emulsion was old stuff. They said in effect, "The same reason, relief denied, no distinction."

Mr. Rogers. I thought I had a clear understanding of the question. We do recognize that there is a cause of action for contributory infringement. Now, that is admitted. But the Mercoid case, as I understand it, was decided on the

theory that the patentee was misusing his patent and, therefore, although one may have contributed and been guilty as a contributory infringer, nevertheless relief was denied because of the misuse of the patent.

Mr. RICH. That is correct.

Mr. ROGERS. That is correct up to that point?

Mr. RICH. That is exactly in line with Carbice, which, of course, is the case on which the Supreme Court was relying.

Mr. ROGERS. All right. Now, due to what many members of the patent bar believe, that it did away with contributory infringement cases, you feel that we should now state as a positive law a cause of action against contributory infringement as set forth in section (c), and that if he has done one of the three things in section 4, that shall not be considered a misuse of his patent, and thereby reestablish what you thought you had before the Mercoid case. Isn't that about what the situation is?

Mr. RICH. That is what we are driving at. I appreciate now that I never finished the statement I intended to make when I got up here, the history behind the reason for paragraph (d).

When the proposal was made to reenact contributory infringement or the equivalent of paragraph (c), a simple enactment, "this shall constitute contributory infringement," I pointed out to the author that it wouldn't work because contributory infringement was still with us as a legal doctrine. The only reason the plaintiff got no recovery was that he was held guilty of misuse.

So this, like the cat in Alice in Wonderland that was there but disappeared all but its smile, to be brought back and have a body again, meant that you had to do something about misuse. You had to say that insofar as we want con-



tributory infringement back, the act shall no longer be labeled as misuse, thus throwing the man out of court.

So attached to paragraph (c) we have a paragraph (d) that says that the recovery, the enforcement against contributory infringers, the holding out of the patent against contributory infringers, and granting them licenses, the use of it to protect the business and making money out of it, and getting your reward as a patentee, all of these things shall not be misuse, and then contributory infringement, which we have had all the time, would become effective again to the extent that they wish to have it so.

Mr. CRUMPACKER. Well, as you interpret this paragraph (d), would it in any way prevent a court from holding the monopolistic practices referred to as being misuse of patents?

Mr. RICH. I beg your pardon, sir? I was distracted.

Mr. CRUMPACKER. As you interpret this paragraph (d) as it now reads, would it in any way prevent a court from holding the monopolistic practices referred to as being a misuse of a patent? That is, where a patentee had actually been engaged in trying to gain a limited monopoly of unpatented articles through the use of a patent.

Mr. RICH. If we assume that staples are excluded from paragraph (c)?

Mr. CRUMPACKER. Yes.

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Mr. RICH. The answer is that (d) would not prevent their being held, the acts being held to be misuse.

Mr. FUGATE. I might point out that in the Mercoid case the stoker switch may not or may have been a staple article of commerce especially adapted for use in a patented com-

bination. In other words, it was contributory infringement. The court recognized that. However, as Mr. Rich pointed out, it was the action of the plaintiff which made him ineligible to come into court and recover for contributory infringement.

Mr. Rogers. May I ask this further question? Do you know of any case where the plaintiff was denied relief because he had accepted revenue from acts which, if performed by another without his consent, would constitute contributory infringement of the patent? That is number one.

Mr. Rich. The Barber Asphalt case, I think is typical of that, and to some extent the Carbice case. In the Carbice case there was a form of license on the invoice. In the Barber Asphalt case they tried to distinguish on the ground that they had no agreements with anybody, so that what they were doing was deriving revenue in the form of profits from the sale of the unpatented staple commodity for use in the invention.

Mr. Rogers. So the court then said that that act constituted something leading toward monopoly or contrary to public policy, and for that reason denied relief to the plaintiff?

Mr. Rich. That is correct.

Mr. Rogers. Now, as to No. 2, are there any cases where licensed authorized persons performed acts which, if performed without their consent, would constitute contributory infringement of the patents?

Mr. Rich. Well, that is the Mercoid type of situation.

Mr. Rogers. Yes.

Mr. Rich. It must, of course, be realized that if we had had a statute like this, the Mercoid case might have been



tried differently, on a different theory. But it deals with granting licenses to people who would otherwise be contributory infringers, not direct infringers, because they are only making part or less than the whole of the invention.

Mr. Rogers. Well now, do you know of any case where they have denied relief to the plantiff where he had sought to enforce his patent rights against infringement or contributory infringement on this section 3?

Mr. Rich. Do you mean section 2, licensing?

Mr. Rogers. No, section 3 of (d).

Mr. Rich. That is sought to enforce?

Mr. Rogers. Yes.

Mr. Rich. That is the *Stroco Products* v. *Mullenbach* case.

Mr. Rogers. Then the effect of (d) with the (3) in there would be to say to the Supreme Court that it is the sense of this Congress that where you have heretofore denied relief to the plaintiff, you shall henceforth grant his relief if he has only performed one, two, or three of these acts in (d), and that is why the Department of Justice is objecting to it?

Mr. Fugate. Yes, sir.

Mr. Rogers. And it would therefore necessarily follow that by taking (c) and (d) together we are asking the Supreme Court to not

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follow the line of reasoning of declaring that a man shall be denied his day or damages if he has done any one of these three acts. Isn't that what it amounts to?

Mr. Rich. That he shall not be denied his day or damages merely because he has done one, two, or three, or all of these acts if the contributory infringement referred to in (d) is of a type which falls within the specific terms of (c).

Now, a suggestion has come to me during this discussion which may bring the views of Justice and of the patent bar together. That would be to insert in the third line of paragraph (d) before the last word "by" the word "solely" so that he shall not be deemed guilty of misuse or illegal extension of patent rights solely by reason of his having done one or more of the following.

If he has gone beyond those and done other acts which could be misuse, then the misuse doctrine would be applicable.

Mr. ROGERS. But then even with the word "solely" we would still say to the Court that if he had done one of these, he could now be permitted to recover?

Mr. RICH. If he has not misused it otherwise. If it comes within the terms of (c). If he tries to license somebody, for instance, to manufacture a staple article of commerce, to be sold in a patented invention and collect royalties, let us say, for the manufacturing of salt tablets to be used in a patented vending machine or dry ice to be used in a patented shipping container, that will be misuse because it doesn't come within the terms of (c).

Mr. ROGERS. I might ask the further question as to whether you think we have a very good chance of explaining all of this on the floor of Congress in trying to recodify the laws of patents?

Mr. RICH. No comment.

Mr. BRYSON. Any further questions?

Mr. RICH. I think there are many other sections in the law which you would have difficulty in explaining on the floor of Congress, too.

Mr. BRYSON. Mr. Crumpacker has some questions.



Mr. CRUMPACKER. Referring again for a moment to paragraph (c), do you think it is possible that the phrasing could be improved upon there to remove the possible misinterpretation referred to?

Mr. RICH. I don't know.

Mr. CRUMPACKER. Particularly with respect to the word "knowingly" and as to what the word "knowingly" refers to.

Mr. RICH. I think it is clear to most of us that "knowingly sells a component of a patented machine" means to us that you know that the component is going into that machine. You don't have to know that it is patented. You don't have to know the number of the patent, and you don't have to know that the machine that it is going into constitutes an infringement. You just know its ultimate destination.

Mr. CRUMPACKER. But the way it is phrased the word "knowingly" refers directly to the word "sells."

Mr. FUGATE. As I understand it, Mr. Rich only intends it to refer to the word "sells." The one who sells it need not know that it is to be used in a patented combination.

Mr. CRUMPACKER. As I understand it, the wrong that is supposed to be committed is the knowledge that it is going as a component in a patented machine.

Mr. RICH. Or maybe he is just selling tapered pins.

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Mr. CRUMPACKER. I say that he knows that he is selling it. He may not know that it is to be a component in a patented article.

Mr. RICH. I think that is a construction which nobody would ever put on this section. Anybody who sells, of course, knows that he is selling it. There is no point in saying "knowingly" if that is all it means.

Mr. CRUMPACKER. The Department of Justice has put that construction on it. That is why I raised the question.

Mr. RICH. I can hardly believe that they would.

Mr. FUGATE. I would like to know whether Mr. Rich is construing "knowingly" as meaning that the supplier knows that it is to be used in an infringing manner.

Mr. ROGERS. And constitutes a material part of the patent.

Mr. FUGATE. Yes, that is the point.

Mr. RICH. I have already explained that he knows how it is to be used. He doesn't have to know about the patent, he doesn't have to be legally advised of that infringement.

Mr. CRUMPACKER. To someone who isn't familiar with this subject, it is not at all clear what elements you are supposed to know about and what elements you don't need to know about, in order to violate the section. I think it could be made much more specific and more understandable.

Mr. BRYSON. We will have an opportunity to try to rectify those different things. Gentlemen, we have run now —

## STATEMENT OF I.E. McCABE, CHICAGO, ILL.

Mr. MCCABE. May I have a word?

Mr. BRYSON. We hate to cut you off.

Mr. MCCABE. For this discussion that has gone on, I have an answer.

Mr. BRYSON. What do you mean by a "word"?

We are going to leave the record open for 10 days, and any of you gentlemen who have not had an opportunity to testify, if you will identify yourself now for the record —



## STATEMENT OF A. ARNOLD BRAND, CHAIRMAN, COMMITTEE ON PATENTS AND TRADEMARKS, AND TRADE PRACTICES, CHICAGO BAR ASSOCIATION

Br. BRAND. If your Honor please, I would like to identify myself as A. Arnold Brand, chairman of the committee on patents, trade marks, and trade practices of the Chicago Bar Association. That is the general bar association in Chicago.

I was going to speak in support of the bill as chairman of the committee because the association itself, through its board of managers, has not had an opportunity to review the entire matter. But as chairman of the committee, I was going to approve the bill with certain specified modifications.

I understand that those have already been presented by the coordinating committee, so if you will leave the record open we will supplement this appearance in support by a written addendum within the 10 days.

Mr. BRYSON. That will be fine.